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2 BEFORE THE TAX CREDIT REVIEW COMMISSION  
3 STATE OF MISSOURI  
4  
5 DECEMBER 7, 2012  
6 COMMISSION MEETING  
7 Held at the  
8 Harry S. Truman State Office Building  
9 301 West High Street  
10 Room 680  
11 Jefferson City, Missouri 65102  
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20 Reported By:  
21 Angie R. Kelly  
22 Midwest Litigations Services, CCR 1010  
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1 BEFORE: (All via telephone)  
2 Steven Stogel, Co-Chair  
3 Senator Chuck Gross, Co-Chair  
4 Representative Tim Flook  
5 Representative Sam Komo  
6 Zack Boyers  
7 Mark Gardner  
8 Luana Gifford  
9 David Kendrick  
10 Bill Hall  
11 Alan Marble  
12 Melissa Randol  
13 Tom Reeves  
14 Penney Rector  
15 Craig Van Matre  
16 Ray Wagner  
17 Shannon Weber  
18 Mike Wood  
19 David Zimmerman  
20 Jim Anderson  
21 Pete Levi  
22 Russ Still  
23 Sallie Hemenway  
24 Jason Zamkus  
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1 P R O C E E D I N G S  
2 (Whereupon, the meeting began at 1:07 p.m.)  
3 CO-CHAIRMAN GROSS: Jason do we have a room that was posted  
4 as available to the public?  
5 MR. ZAMKUS: We do. It was room 680 Harry S. Truman State  
6 Office building, Jeff City, Missouri.  
7 CO-CHAIRMAN GROSS: There's a telephone there so they can  
8 hear the proceedings.  
9 MR. ZAMKUS: There is.  
10 CO-CHAIRMAN: I'll go ahead and call role then for this

11 meeting. Or Jason go ahead, I don't want to take your job away  
12 from you.

13 MR. ZAMKUS: That's quite all right Senator. Senator  
14 Justus?

15 (No response)

16 MR. ZAMKUS: Senator Wright-Jones?

17 (No response)

18 MR. ZAMKUS: Steve Stogel?

19 CO-CHAIRMAN STOGEL: Present.

20 MR. ZAMKUS: Tim Flook?

21 REPRESENTATIVE FLOOK: Here.

22 MR. ZAMKUS: Oh good. Sam Komo?

23 REPRESENTATIVE KOMO: Here.

24 MR. ZAMKUS: Jim Anderson?

25 MR. ANDERSON: Here as well.

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1 MR. ZAMKUS: Zack Boyers?

2 (No response)

3 MR. ZAMKUS: Mark Gardner?

4 MR. GARDNER: Here.

5 MR. ZAMKUS: Luana Gifford?

6 MS. GIFFORD: Here.

7 MR. ZAMKUS: David Kendrick?

8 (No response)

9 MR. ZAMKUS: Pete Levi?

10 MR. LEVEY: Here.

11 MR. ZAMKUS: Alan Marble?

12 MR. MARBLE: Here.

13 MR. ZAMKUS: Troy Nash?

14 (No response)

15 MR. ZAMKUS: Melissa Randall.

16 MS. RANDALL: Here.

17 MR. ZAMKUS: Tom Reeves?

18 CO-CHAIRMAN GROSS: He will be joining about 2:00.

19 MR. ZAMKUS: Okay. Penney Rector?

20 MS. RECTOR: Here.

21 MR. ZAMKUS: Russ Still?

22 MR. STILL: Here.

23 MR. ZAMKUS: Craig Van Matre?

24 MR. MATRE: Here.

25 MR. ZAMKUS: Ray Wagner?

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1 MR. WAGNER: Here.

2 MR. ZAMKUS: Shannon Weber?

3 MS. WEBER: Here.

4 MR. ZAMKUS: Mike Wood?

5 (No response)

6 MR. ZAMKUS: David Zimmerman?

7 MR. ZIMMERMAN: Here.

8 MR. ZAMKUS: And Senator Gross, obviously you're here.

9 CO-CHAIRMAN GROSS: There were some folks who came on the  
10 line I think, anybody who's name was not called please identify  
11 yourself.

12 And do we have any interested parties that have not yet  
13 identified themselves for the record? I guess that means you  
14 don't want to be on the record.

15 All right. So we've called role Jason. How many do we  
16 have in attendance?

17 MR. ZAMKUS: 16 members present, Senator.

18 CO-CHAIRMAN GROSS: Next order of business would be  
19 approval of minutes from your November 16 commission meeting.  
20 Do we have a motion to approve those minutes and state your  
21 name?

22 CO-CHAIRMAN STOGEL: Steven, so moved.  
 23 CO-CHAIRMAN GROSS: Do we have a second?  
 24 MR. ZIMMERMAN: Second. David Zimmerman.  
 25 CO-CHAIRMAN GROSS: Thank you, David. Discussion or

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1 changes to those minutes, from anyone.  
 2 Approving those minutes say aye.  
 3 (Aye)  
 4 CO-CHAIRMAN GROSS: Opposed say no.  
 5 (No response)  
 6 CO-CHAIRMAN GROSS: Those minutes are approved.  
 7 You should have received from Sallie an e-mail dated  
 8 yesterday, December 6 at 5:59 kind of laying out the proceedings  
 9 today, how we're going to proceed today, and the format for  
 10 doing that. We'll have committee reports, discussion and then  
 11 adjourn.

12 This meeting is conducted in accordance with Open Meetings  
 13 Law of Missouri, and has properly been posted and all of that,  
 14 and anyone can log on to TCRC.mo.gov go to documents and  
 15 resources, and find under electronic board book many of the  
 16 documents, probably end up being all of them, but we'll see how  
 17 this proceeds that are being referred to in the meeting.

18 To identify myself, I'm Chuck Gross. Steve Stogel and I  
 19 are here together, we'll try to identify ourselves as we speak.  
 20 This is chuck that's been talking.

21 So without further adieu, I'll begin with the first report  
 22 from the Property Tax Credit Committee.

23 MR. VAN MATRE: This is Craig Van Matre. Members of Mr.  
 24 Co-chairman and members of the committee, our committee met, the  
 25 members of the committee are myself, Alan Marble, Representative

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1 Tim Flook and Penney Rector. We submitted a supplemental report  
 2 which was just designed to provide some additional collateral  
 3 information to the affect that the circuit breaker was repealed,  
 4 or an equivalent circuit breaker tax credit was repealed for  
 5 renters in the state of Kansas in 2012, and the State of  
 6 Illinois failed to fund the circuit breaker for renters and  
 7 owners for 2012, subsequent to July 1, 2012.

8 We added a report from the state budget office concerning  
 9 credit redemptions, but following that list of additional  
 10 information and general discussion concerning the senior citizen  
 11 circuit breaker tax credit review subcommittee before 2010, it  
 12 was the unanimous recommendation of the subcommittee that the  
 13 2010 senior citizens tax credit subcommittee report be submitted  
 14 once again without change.

15 Accordingly, on behalf of our committee, I move that the  
 16 2010 report of the senior citizen tax credit subcommittee be  
 17 forwarded as a part of this year's activity and report without  
 18 modification.

19 CO-CHAIRMAN STOGEL: Craig could you just, for the record,  
 20 this is Steven, could you please for the record say what the  
 21 supplemental report concluded, followed the 2010 report?

22 MR. VAN MATRE: Well, it says we hereby re-adopt and  
 23 re-affirm this report prepared in 2010 and recommend it for  
 24 consideration by the legislative branches of the Missouri  
 25 government.

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1 CO-CHAIRMAN STOGEL: That the rental portion be --

2 MR. VAN MATRE: You want me to get into the substance of  
 3 that recommendation?

4 CO-CHAIRMAN STOGEL: Please, just for the record.

5 MR. VAN MATRE: The substance of the report was that the --  
 6 and there is about a 10 page report, no maybe 6 page report as I

recall from 2010. Our conclusion was that the form in which the rental credit was awarded didn't have the relationship to the cost deemed attributable to real estate taxes that it was clearly designed to achieve some type of financial benefit for persons in lower income brackets, that the entire area of benefits for persons having difficulty meeting rental obligations should be revisited by the legislature, but that the tax credit for renters as designed is not efficient, it's not well designed and that we recommended that it be abolished insofar as renters are concerned, but not otherwise modified as property owners.

CO-CHAIRMAN STOGEL: Yes. Thank you very much.

CO-CHAIRMAN GROSS: We have a motion from Craig to adopt a 2010 report, do we have a second?

UNKNOWN: Is that by a commission member, Senator, or is the second in this protocol from a commission member or member of the committee?

CO-CHAIRMAN GROSS: This -- since we are acting as a commissioned today, it could be from anyone on the commission.

We didn't separately post a committee meeting, so all of the committee reports that did not have a quorum will be recommendations to the commission, and we will vote as a commission on those.

CO-CHAIRMAN STOGEL: I would be pleased to second Mr. Van Matre's report, this is Steven.

CO-CHAIRMAN GROSS: So we have a motion and a second, any discussion?

(No response)

CO-CHAIRMAN GROSS: Hearing none, all in favor say aye.

(Aye)

CO-CHAIRMAN GROSS: Opposed no.

(No response)

CO-CHAIRMAN GROSS: Next to report is Agriculture and Environment.

MR. MARBLE: Yes, this is Alan Marble. Members of the Agricultural Environment committee, myself, Dave Kendrick, Mike Woods, David Zimmerman, Sam Komo, and Craig Van Matre.

Our assignment was to reexamine the tax credits that we looked at the first time and for the record, those are the family farm breeding life stock program, wine and grape productions tax credit, qualified beef tax credit, charcoal producers tax credit, alternative fuel stations tax credit, wood energy tax credit, agriculture products utilization contributions tax credit, and new generations cooperative

incentive tax credit.

We started our work by issuing a request for public input in October, solicited comments from interested parties. An e-mail was sent to representatives of the corn industry, dairy, pork, soybean industry, farm bureau, forestry energy and energy industry also. We asked that written comments be returned by November 10 and I didn't receive any to my knowledge, none were received.

We did post and have -- a hearing notice was posted, and we did conduct a teleconference November 19. We did not have a quorum though. Members Wood, Van Matre and Marble participated in the teleconference. We discussed the content of the existing report that was issued in 2010, had Jason provide a re-cap of legislative activity related to those credits, we were intended to review comments, didn't have any, and asked to hear any additional public comments to discuss this update.

We did hear from Doyle Childers on behalf of the wood

energy credit and charcoal producers credit and I think his testimony has been included in the report that we submitted, in the notes from that meeting.

After considerable discussion, it was decided that we would continue to support and reaffirm all of the 2010 report, but we would like to have gained a formal recommendation. So we did again schedule another meeting, teleconference on November 26, yet we were unable to gain a quorum there too. So as an

informal, I guess recommendation here, we have submitted our supplemental report. I would move that based upon the work of the committee, that all of the 2010 report as written be readopted.

MR. WOOD: This is Mike Wood, I would second that motion.

CO-CHAIRMAN GROSS: Thank you both. Discussion?

(No response)

CO-CHAIRMAN GROSS: Hearing none. All in favor of the motion say aye.

(Aye)

CO-CHAIRMAN GROSS: All right, that motion is adopted.

Next we have the social and contribution.

MR. HALL: Yes, this is Bill Hall. Co-chair of the social and contribution's committee tax credit review. Along with Senator Justus, we held a telephonic meeting which was a formal meeting.

At that meeting, we reaffirmed the findings of the 2010 report. We had significant discussion among our committee, which is made up of myself, Senator Justus, Jim Anderson, Luana Gifford, Melissa Randol and Shannon Weber and I would like to propose a motion from that meeting, like to move the reaffirmation of the recommendations contained in the report of Missouri Tax Credit Review Commission social and contributions tax credit section dated November 30, 2010. Specifically reaffirming our three major recommendations from that report

related to credit value, broadening the donor pool transferability and sunset. Further, the committee makes no recommendations on programs which had not been reauthorized by the legislature following the commission 2010 report.

CO-CHAIRMAN GROSS: That is in a form of a motion. Do we have a second?

MS. GIFFORD: Luana Gifford seconds that.

CO-CHAIRMAN GROSS: Thank you, Luana. Discussion, I have a question, Bill, just make sure I understand what you said regarding the credits that have been -- I'm sorry, that last part of your motion, you said something about taking no position about what sorry?

MR. HALL: The credits that have expired since 2010, and we did not take a position on whether or not they should be reinstituted. That was really a Senator Justus suggestion feeling that we were perhaps going a little bit too far in suggesting reinstituting credits that had expired.

CO-CHAIRMAN GROSS: Okay. And I know the global issues committee that I co-chair will be talking about sunsets as well. Steven, did you want to say something?

CO-CHAIRMAN STOGEL: Bill, the global issues committee decided that 2010's report about staging sunsets years 2, 4 and 6 for various credits would be not continued. And so, you mentioned the sunset aspect of your social committee report, could we, if the commission later in this meeting decides

sunsets are not in place and not a part of the report, we don't want to have social credits listed as something that could be

3 sunsetted.

4 MR. HALL: Steven, that's fine by me, other committee  
5 members on the phone call, maybe they all have a thought on  
6 that.

7 MR. ANDERSON: Works for me as well. Anderson here.

8 MS. GIFFORD: That's fine. Luana Gifford.

9 CO-CHAIRMAN GROSS: This is Chuck and I don't really care  
10 that much either way, but I would say that because a committee  
11 report on any issue might take opinion A in their report, does  
12 not mean that the commission as a whole cannot take a different  
13 position, position B.

14 So for example, if it's a cap we're talking about in one of  
15 the committee reports that the committee recommended a cap of X  
16 dollars, does not mean that even though that report has been  
17 adopted, does not mean the commission cannot take a different  
18 position, is all I'm thinking. I'm fine with what Steven said,  
19 but.

20 CO-CHAIRMAN STOGEL: If recall correctly bill there was a  
21 recommendation in 2010 that the social credit be a four year  
22 sunset.

23 MR. HALL: I think it was six years.

24 CO-CHAIRMAN STOGEL: Six years. There may be no sunset at  
25 all by the time the commission finishes it's work this

0014 1 afternoon, so we would want social credits treated in parody  
2 with the other credits, that's the only reason I --

3 MR. ZAMKUS: If I may, this is Jason Zamkus with DMD. Just  
4 to provide a point of clarification from a social and  
5 contribution committee meeting, those programs that the  
6 committee referenced in their report were programs that were  
7 already subject to a six year sunset provision, and as an  
8 operation of law, sunset prior to the 2010 report, and as  
9 Senator Justus's concern was not to make -- or take a position  
10 relative to those credits that had sunsetted since the report,  
11 but rather to focus on the credits that were still viable.

12 CO-CHAIRMAN GROSS: Jason, I think that you said is  
13 correct. I think that what Steven is referring to though that  
14 in our report, it says the commission recommends that a sunset  
15 of six years should be imposed for each of the above programs,  
16 and that was all of the programs.

17 CO-CHAIRMAN STOGEL: Correct.

18 CO-CHAIRMAN GROSS: So Steven saying there's going to be a  
19 conflict between what the global issues committee reports and  
20 since we're reaffirming the original report, we would in fact be  
21 reaffirming that all of the contributions and social tax credits  
22 be sunsetted at six years. So that's, I think what we're trying  
23 to figure out how to handle.

24 MR. ZAMKUS: If I can offer up a suggestion, Senator Gross,  
25 you can divide the question on the motion or offer a substitute

0015 1 motion or amend the motion from Mr. Hall.

2 CO-CHAIRMAN GROSS: Right, and that was outlined in the  
3 memo I referred to earlier that we can take that kind of action.  
4 I just want to make sure I understood, or I'm questioning  
5 myself, this is Chuck, I'm questioning myself on what I said a  
6 minute ago. I believe two years ago when reports were -- and  
7 anybody please correct me, because my memory is not the steel  
8 trap it used to be, correct me if I'm wrong, as reports were  
9 offered two years ago, go ahead and debate those. I think we  
10 did? I think we did debate those, motions were made, et cetera,  
11 so that when the report was written, those viewpoints of that  
12 credit would be supported by discussion of the full commission.

13 So I revised or rescind my earlier comments, and I think

that's a good suggestion that we divide this question which is a motion to adopt the report of the social and contribution committee, and I want to divide out the issue of sunsets as recommended by Mr. Hall, and I would make that in a form of a motion to divide first, if I could have a second.

CO-CHAIRMAN STOGEL: And I'll second it with the notion there will be a second motion to allow social credits to be treated as to sunsets, either at six years or not at all, if that's where the commission ultimately votes later this afternoon.

CO-CHAIRMAN GROSS: We'll accept that motion when we get to that piece. So the first -- we have a motion to divide the

question, all in favor of that say aye.

(Aye)

CO-CHAIRMAN GROSS: Opposed say no.

(No response)

CO-CHAIRMAN GROSS: Okay. So we now have the business of taking up the first part of the question, which is the entire report except for the sunset issue, and any discussion on the first part of that report, that's part one. Bill would you make that a motion to adopt that first part of the report please?

MR. HALL: Yes, I'll move that reaffirmation of the recommendation contained in the report of tax credit commission accepting that recommendation concerning sunset.

CO-CHAIRMAN GROSS: Very good. And a second?

MS. RANDOL: Melissa Randol. I second.

CO-CHAIRMAN GROSS: Thank you, Melissa. Discussion on part one of the motion. All in favor say aye.

(Aye)

CO-CHAIRMAN GROSS: Opposed no.

(No response)

CO-CHAIRMAN GROSS: The ayes have it. We've adopted part one. Now part two, Bill would you restate part two then as it comes to sunsets.

MR. HALL: Yes. I'd like to make a motion that the sunset provisions regarding social and contribution tax credits parallel those of the committee as a.

CO-CHAIRMAN GROSS: I think that is a good motion for the floor. Is there a second?

CO-CHAIRMAN STOGEL: I'll second that.

CO-CHAIRMAN GROSS: Steven seconds that motion. Discussion. I want to make sure that I understand, everybody understands. So what we're saying is that we will debate and discuss sunsets when we get to the global issues committee, including the credits included in the social and contribution committee. Go ahead Steven.

CO-CHAIRMAN STOGEL: Correct. But if when all that debate comes out it attracts the global issue, that's one thing, but if it doesn't, the social credits would want six years.

MR. KOMO: This is Sam Komo. I have a question.

CO-CHAIRMAN GROSS: Yes, Sam.

MR. KOMO: So what we're saying is if we decide that any of the tax credits get sunset provisions put on them that all of them will, including the social justice or will we break those down.

CO-CHAIRMAN STOGEL: Well, if we get into the issue of sunsets, sunsets on certain credits, the expectation would be that it would be six years as to the social credits. The global issues committee which I co-chaired with Senator Gross, we had the discussion in November, November 16, forecasting that committee report later, believes that at that committee level

25 that this commission should back away from sunsets all together,  
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1 because there are caps anticipated on certain other programs.  
2 And it was an option discussed issue in the legislature, which  
3 was included in the legislative activity report that DED  
4 provided.

5 MR. KOMO: So, if we decide later on that there shouldn't  
6 be sunsets put on certain tax credits, that would be across the  
7 board to everything? The way I take this?

8 MR. GARDNER: Whoa, whoa, this is Mark Gardner. I didn't  
9 hear the answer to that. It would or would not be across the  
10 board?

11 CO-CHAIRMAN STOGEL: We can decide at that time.

12 CO-CHAIRMAN GROSS: We'll decide when we get to the global  
13 issue.

14 MR. GARDNER: But don't you think we would take that up --  
15 well, I would assume that we would take that up one by one. But  
16 I thought in Jefferson City at our last meeting we were all  
17 pretty clear that sunsets had -- that that was one of the  
18 lightning rods that had killed everything in the legislature and  
19 made a compromise between the house and senate and that we're  
20 not going to do that. I may be overstating but I thought that  
21 was the consensus of the commission, so I'm a little confused by  
22 the focus on sunsets right now.

23 CO-CHAIRMAN STOGEL: This is Steven. I wanted to give the  
24 social credit committee co-chaired by Bill Hall and all the  
25 other members the heads up that on the -- there that on

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1 November 16 the global issues committee across the board for all  
2 credits is prepared to recommend to the commission as a whole  
3 that sunsets as to all credits be withdrawn, and if they're  
4 withdrawn as to all credit programs, they certainly should be  
5 withdrawn as to the social credits.

6 MR. GARDNER: Okay.

7 CO-CHAIRMAN STOGEL: And when we get to the global issues  
8 report from Senator Gross, we can either take up all credits in  
9 bulk, Representative Komo's question or we can do it  
10 individually, Mark as to yours, but we'll do that in about a  
11 half hour or less when we get to global issues.

12 CO-CHAIRMAN GROSS: We have a motion and a second. Just  
13 restate it real quick so everybody's clear on the motion.

14 MR. HALL: I think the motion was as regarding social and  
15 contribution credits that they be treated in a parallel way to  
16 the decision that's made by the global issues committee  
17 concerning sunset of tax credits.

18 CO-CHAIRMAN GROSS: We don't need a second, that's already  
19 been done. Discussion? All in favor say aye.

20 (Aye)

21 CO-CHAIRMAN GROSS: Opposed say no.

22 (No response)

23 CO-CHAIRMAN GROSS: That was part two. And that finishes  
24 the social and contribution committee report. Thank you, Bill.  
25 Next we have the tax law committee, Steven.

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1 CO-CHAIRMAN STOGEL: We had Ray Wagner and Penney Rector  
2 and we had a unanimous subcommittee meeting the other day, the  
3 report is on the website. There were recommendations from the  
4 subcommittee to the commission to take no action as to any of  
5 the tax law components in the 2010 report because the Internal  
6 Revenue Service has issued one ruling and successfully litigated  
7 two cases on the issue of federal and state tax credits and  
8 there are more in the pipeline, so there's more clarity. No  
9 action.



I do note one other aside, which I've included with the support of members on this committee as to the forthcoming tax law changes in the 2013 from DC. The state of Missouri's income tax is integrated with the federal income tax, and to the extent there are changes in Washington to the federal income tax code on rates, deductions, alternative minimum tax, and any and all things in the code will ripple through to Missouri. Individual income taxes account for nearly 67 percent of the state's general revenue, and corporate taxes 3.8 percent of the general revenue, so a watchful eye needs to be had by the executive branch and the legislature on the impacts of integration. So if there isn't a huge objection, that's included as a supplemental notation, which is admittedly beyond the scope of the commission. But it's a very serious issue the legislature and the executive branch ought to look at.

CO-CHAIRMAN GROSS: This is Chuck. If it's beyond the

scope of the commission, you want to include that in your report or as an addendum or attachment.

CO-CHAIRMAN STOGEL: I have it as a supplemental notation clearly outside the scope of the report. The action of the commission would be just to vote on the report as all tax law issues should be suspended pending more clarity about the tax law from the IRS.

CO-CHAIRMAN GROSS: Can you make that in the form of a motion?

CO-CHAIRMAN STOGEL: Do we have a second on that motion? This is Chuck I'll second that motion. Discussion on the motion?

(No response)

CO-CHAIRMAN GROSS: Hearing none. All in favor say aye.

(Aye)

CO-CHAIRMAN GROSS: Opposed say no.

(No response)

CO-CHAIRMAN GROSS: The motion is adopted, and that is the report of the tax law committee.

Next we have economic development.

MR. ANDERSON: Senator Jim Anderson here and I'll begin the recommendation report. Pete Levi and I cochaired the economic development committee, and I report that they, as well as recommendation is formal. We did have a formal meeting with a quorum present at our meeting. Committee members include,

besides Pete, myself, Senator Jolie Justus, Representative Tim Flook, Ray Wagner, Representative Sam Komo, Melissa Randol, Dave Kendrick and Alan Marble.

We had ten tax credits assigned to review, they include bill, business facility, development tax credit, enhanced enterprise zone, film tax credit, (inaudible) guarantee as well as the Missouri Development Finance board infrastructure credit, quality jobs, the incubator tax credit and the rolling stock tax credit.

We began our work back in October when we solicited public comment from a broad spectrum of stake holders in that economic development arena. We did a significant amount of outreach to various groups and organizations involved in economic development. We did receive written comments as a result of that outreach, and then we had a meeting via teleconference on Monday the 12th of November, and we of course took a look at the existing report and took a look at the comments we had received from the public and of course had some debate and discussion on the report we did in 2010, and the consensus or the agreement, the motion was that we readopt and reaffirm the report in it's

21 entirety the report we prepared in 2010 with only one  
 22 modification, and that is that we recommend that the film tax  
 23 credit be allowed a sunset on it's currently scheduled date of  
 24 November 28, 2013. And that is the only modification that we  
 25 are making in the report from 2010, and I would move approval of

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1 the report and the recommendation.

2 MR. LEVI: This is Pete, I second.

3 CO-CHAIRMAN GROSS: I'm sorry, who seconded the motion?

4 MR. LEVI: Pete.

5 CO-CHAIRMAN GROSS: Thanks Pete. We have a motion and a  
 6 second, and I'm pausing over again the sunset issue. I  
 7 understand your recommendation, I'm just thinking about how that  
 8 would jive with the global issues committee debate.

9 MR. ANDERSON: Senator, let me make it easy. Let's say the  
 10 word expire rather than sunset.

11 CO-CHAIRMAN GROSS: All right. We will leave that then as  
 12 the report, assuming the commission here in a minute, noting  
 13 that when global issues meets, the commission will then have the  
 14 ability to comment further on all sunsets including on these  
 15 credits.

16 MR. ANDERSON: Statutorily, that filming tax credit does  
 17 expire November 28 of next year, again our recommendation and  
 18 only modification from our report two years ago is that be  
 19 allowed to happen.

20 CO-CHAIRMAN GROSS: Steven.

21 CO-CHAIRMAN STOGEL: I think Jim's point is a good one that  
 22 his motion as modified that the film tax credit be allowed to  
 23 expire.

24 (Whereupon, there were phone issues)

25 MR. ANDERSON: I don't think we passed the motion Senator,

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1 and I guess I would just say for the record the film tax credit  
 2 has been somewhat controversial, and I couldn't help but note  
 3 that as we talked about film tax credit, the music started  
 4 blaring.

5 MR. ZAMKUS: Senator Gross, this is Jason Zamkus. The last  
 6 step that we have in the process was a second to the motion by  
 7 Pete Levi.

8 CO-CHAIRMAN GROSS: Very good. So that's where we're at.  
 9 A motion and a second on that report. Any further discussion on  
 10 the motion.

11 MR. LEVI: Senator, this is Pete. At the last committee  
 12 meeting, there was some question raised by whether there was  
 13 adequate language in there to deal with some of the complexities  
 14 of the Kansas City area and we did go back to the report and  
 15 find several places where there was adequate reference to that,  
 16 so we didn't recommend any changes.

17 CO-CHAIRMAN GROSS: So noted Pete, and thank you for that  
 18 comment. Further discussion?

19 (No response)

20 CO-CHAIRMAN GROSS: Hearing none. All in favor of the  
 21 motion say aye.

22 (Aye)

23 CO-CHAIRMAN GROSS: Opposed say no.

24 (No response)

25 CO-CHAIRMAN GROSS: Motion is adopted.

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1 Next report is actually going to be offered by either Jason  
 2 or Sallie on distressed committee.

3 MR. ZAMKUS: This is Jason Zamkus. Seeing as Senator Nash  
 4 is out of the country, I've been asked to go ahead and provide  
 5 the report of the distressed community tax credit committee.

6 The committee held a meeting on November 29.  
7 Unfortunately, they were unable to obtain a quorum, and as such,  
8 this report is an informal report of the committee. The  
9 committee since they were unable to acquire a quorum, the  
10 committee makes no recommendation for modification to the  
11 report, and as such reaffirms the recommendations contained in  
12 the 2010 report.

13 CO-CHAIRMAN GROSS: All right, and as you are not a  
14 committee member, it can't be a motion.

15 MR. ZAMKUS: Correct.

16 CO-CHAIRMAN GROSS: I would make a motion to -- for that  
17 report. Could I have a second for discussion please?

18 MR. KOMO: Sam Komo, second.

19 CO-CHAIRMAN GROSS: Thank you Sam, we have a motion to  
20 second. I want to make sure we're in order here. Jason has  
21 reported on the activities of that committee, and since he's not  
22 a committee member, it's not if the form of a motion, so I made  
23 a motion in my order. Jason, are we good?

24 MR. ZAMKUS: Yes. Sam Komo seconded it?

25 CO-CHAIRMAN GROSS: That's right, yes.

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1 MR. ZAMKUS: We're good.

2 CO-CHAIRMAN GROSS: Again the motion is to reaffirm the  
3 report from 2010, correct?

4 MR. ZAMKUS: That is correct.

5 CO-CHAIRMAN GROSS: Would you, Jason, give us a rundown of  
6 the credits under that committee please?

7 MR. ZAMKUS: That committee was tasked with studying the  
8 distressed area of land assemblage, the new markets tax credit  
9 program, the building community tax credit program, sorry, let  
10 me pull this up so I got it right in front of me. The  
11 Brownfield jobs and investments, Brownfield remediation, the  
12 neighborhood preservation act, and that's it.

13 CO-CHAIRMAN GROSS: This is Chuck. Steven, did we just  
14 receive or Jason did we just receive some e-mail from either  
15 commission members? I want to make sure we're not missing  
16 something here, e-mail from commission members or interested  
17 parties on the new markets tax credit, and is that germane to  
18 our discussion here, does anybody know?

19 CO-CHAIRMAN STOGEL: I think I was at the public hearing  
20 last night in St. Louis, this is Steven, where we had a  
21 presentation from Advantage Capital about whether the new market  
22 tax credits program which has expired both in time and dollar  
23 amount reinstituted. We accepted the testimony, but the scope  
24 of the commission is to comment on existing programs not on  
25 reupping expired programs, so it was posted as information not

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1 for action.

2 CO-CHAIRMAN GROSS: All right. I appreciate that  
3 explanation. Any further comment on the motion?

4 (No response)

5 CO-CHAIRMAN GROSS: Hearing none. All in favor of the  
6 motion say aye.

7 (Aye)

8 CO-CHAIRMAN GROSS: Opposed say no.

9 (No response)

10 CO-CHAIRMAN GROSS: So that motion is adopted.

11 I'm going to take co-chairman's privilege and skip global  
12 issues now until the end, and go directly to low income housing.

13 MR. GARDNER: All right. This is Mark Gardner. I'm  
14 chairman of the low income housing committee. We had three  
15 meetings and unfortunately, during the first two we weren't able  
16 to get a quorum, so it involved primarily rehashing our 2010

17 report, and talking about some new issues, but obviously weren't  
18 in the position to adopt any recommendations.

19 Finally, yesterday, we by conference call were able to get  
20 a four person quorum, so for the first time we were able to take  
21 some action. I apologize for the fact that we, because we met  
22 so late, it took us that long to get a quorum. This thing has  
23 been somewhat thrown together at the last minute, and the report  
24 itself of our committee is going to have to be -- I've rewritten  
25 it, and we're in the process of posting it on-line in draft

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1 form. I'll probably clean it up over the weekend and post it  
2 again in a probably a little more edited, cleaned up form.

3 But as a result of the fact that we essentially had one  
4 meeting and we had it yesterday afternoon, there were a number  
5 of issues which came up, some of which we were able to adopt and  
6 pass as recommendations to the commission. There were other  
7 items that quite frankly just couldn't agree on, get a consensus  
8 on, and -- but that we felt as a committee they were serious  
9 enough issues that they should be addressed by the commission  
10 itself, okay. So in other words, we kicked them upstairs to you  
11 guys or to ourselves as a commission to decide some of these  
12 issues, okay.

13 I'm going to go through some of the easier ones. I'm going  
14 to try to do this in a fairly logical manner. If you've got or  
15 if you want to pull up, I think Sallie posted them, the minutes  
16 from yesterday's meeting. Sallie did a very nice job writing up  
17 in a summary fashion the committee recommendations that were  
18 adopted.

19 MR. ZAMKUS: This is Jason, Mark sorry to interrupt you.  
20 The minutes are available on the electronic board book under the  
21 low income housing tab.

22 MR. GARDNER: And that is a very good recap, by the way,  
23 okay.

24 CO-CHAIRMAN GROSS: Sorry to interrupt, I'm looking at that  
25 Jason, and there are three items under low income, one is low

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1 income housing committee minutes, and the other two are noted  
2 committee notes. Just so everybody gets to the right place  
3 quickly, what's the difference? Where do we go there?

4 MR. ZAMKUS: The minutes, the first link under low income  
5 housing are the minutes from yesterday, they're labeled 12/6/12.  
6 The notes were from the two previous meetings that Mr. Gardner  
7 had referenced. Because there weren't a quorum prior to that,  
8 they weren't official minutes of the meeting. It wasn't  
9 public --

10 CO-CHAIRMAN GROSS: I got it, I lapsed on that. Sorry  
11 Mark, proceed.

12 MR. GARDNER: Okay. And I'm going to take these probably a  
13 little bit out of order, because some of these are quite frankly  
14 we'll get bogged down in them a little bit, but we'll do it.

15 If you go to the committee recommendations that were  
16 adopted, item number two, all that says is that it allows for  
17 low income housing tax credits which were authorized, it  
18 actually should have said which were authorized but not -- I  
19 think that's incorrectly stated. Craig are you on --

20 MR. VAN MATRE: Yeah, I'm on.

21 MR. GARDNER: You see that?

22 MR. VAN MATRE: You're under committee recommendations,  
23 under number two?

24 MR. GARDNER: Right.

25 MR. VAN MATRE: Under committee recommendations. Allow

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1 credits not authorized by MHDC in one year --

MR. GARDNER: No, I think that is correct.

MR. VAN MATRE: That is correct wording, yes. That was our first recommendation that basically if we had whatever the cap is, whatever the ceiling is going to be on the state credits, both the 9 percent and 4 percent, if MHDC for some reason did not authorize all of the credits, then they would simply roll forward. They wouldn't expire. They would simply roll forward, and we moved, like I said, the four of us, and that passed unanimously.

Then, we have --

CO-CHAIRMAN STOGEL: Just so everybody understands, there's two -- this is Steven, there's two branches to that, Mark, if I'm not mistaken. Branch one is MHDC doesn't authorize the maximum federal and/or state low income or two, the more likely situation is MHDC awards Missouri low income to developer X and developer X for whatever reason doesn't do that particular project. Rather than loose the allocation, it would be recaptured at some point, rolled into a future's year allocation. A rolling tradition to the extent an authorization, for instance, developer X doesn't happen to replace that authorization with another developer down the road. I understand, that makes sense to me, but, to the next point.

MR. GARDNER: One of the next things we took up was, and this gets to be just a tad bit complicated, particularly for

people who don't have a tax credit background, but the way we operated and technically, the way we still are operating, because none of the recommendations have been adopted, but to get into the issue of what's called stacking, and some projects are entitled to both state and federal low income housing tax credits. They're also eligible for federal and state historic tax credits, and what happens with those projects, and you know, unfortunately, kind of the nature of the beast, historic projects are very expensive on a cost per unit basis, very hard to get around that. You can try to kind of do a historic project and maybe not spend as much on the inside for example, but the exterior of the building, the structural things have to be done. There is no real discretion there. The only place you can save money is how much you're going to deck out the interior of the building.

Now, at one time, we've had various discussions within various committees and within the legislature about the stacking issue, and whether you should be able to stack the federal low income with the federal historic and the state historic, but not the state low income. So in other words, out of that stacking of four credits, you would pull out state low income.

So anyway, the MHDC Missouri Housing Development Commission has certain target prices that would like to see the projects get done at. And that was in part to response to criticisms that so much money was being spent on some of the historic

preservations that also involved low income housing. Quite frankly, some people would look at these projects and go, well, we've spent a lot of money on low income housing, that's too much.

So I have talked to a number of people in the both historic area and also the low income area, and there's a general feeling out there that if you're not going to use state low income taxes, in other words, willing to give them up, you probably shouldn't be subject to the target cost per unit standard of MHDC because that was really I think more aimed at where you were stacking all the credits, or certainly stacking at least the federal income and the state income.

13 I made a motion that if you were not receiving state low  
 14 income housing tax credits, then the state agencies target cost  
 15 per unit would not apply to you, and the motion -- we debated  
 16 the motion and again part of the of the toughness of the motion  
 17 is if you don't understand, I've done these projects and it's  
 18 hard to -- maybe hard to understand why this is necessary or why  
 19 it's a good idea, and so we got bogged down at the committee  
 20 level and I said let's take it up to the commission maybe we can  
 21 beat it around up there and come to some consensus on this.

22 I think it's generally an issue that's going to come up in  
 23 St. Louis and Kansas City where your costs are higher, first of  
 24 all, or at least have been if we exclude this year. St. Louis  
 25 and Kansas City are subject to prevailing wage, and so your

0033 1 costs are historically higher there than they are in outstate  
 2 Missouri. It's in certain instances, I think the target cost  
 3 per unit is perhaps not a practical limit. I think the cost of  
 4 doing historic preservation in the metropolitan areas are just  
 5 going to be higher than they are going to be outstate. And if  
 6 you're not asking for the state low income housing tax credits,  
 7 it's kind of like who's hurt by it. You can come back and say  
 8 well, you are asking for the state historic credit, and that's  
 9 fine, yes you are, but if you're not getting the state historic  
 10 tax credit in this project, somebody else is going to get the  
 11 state historic tax credit in another project, because he's not  
 12 using low income housing tax credits at all, he's not going to  
 13 have any projects.

14 So it's kind of like if I'm over here doing a hotel, I have  
 15 no project cost limits. If I'm over here doing low income  
 16 housing, I have kind of a designated or targeting amount, and  
 17 those are the two extreme positions.

18 CO-CHAIRMAN STOGEL: Mark, may I jump in, you have  
 19 experience as an actual developer, so do I, both historic and  
 20 low income. So please try to simplify the complexity of the  
 21 issue. The question is with some background, is that we were  
 22 all in Cape Girardeau listening one night, and the Schultz  
 23 building was \$350,000 a unit, which led the commission in 2010  
 24 to say that if there is a fourplex, federal historic, state  
 25 historic, federal low income and state low income, you just

0034 1 can't stack that much.

2 We also directed MHDC to think about a cost per unit test.  
 3 MHDC has over the last three years implemented that, and their  
 4 target is plus or minus, and they review it in the scoring of  
 5 the applications, even though it's become an MHDC operating  
 6 process, if I understand it to be in the sub \$200,000 range.

7 The issue has come up for certain projects for disclosure,  
 8 one of which I'm involved in, where there is no Missouri low  
 9 income credits, I'm just a consultant who, and should the cost  
 10 per unit standard be applied through the state, when the state  
 11 has no money in the transaction to limit what the federal  
 12 government can do, and the federal government has no cost per  
 13 unit limitation. In fact, even \$300,000 is a modest cost if you  
 14 look at states like New York, California and shockingly Puerto  
 15 Rico where the cost for units can be twice that.

16 So, at least I feel very strongly that if there's no  
 17 Missouri, no low income at all the cost per unit apply, and I  
 18 don't even know that this commission or MHDC can regulate and  
 19 limit what the federal government allows any way.

20 So, as to this recommendation, if there's no Missouri low  
 21 income credits, it would seem to me very clear that there  
 22 shouldn't be a cap cost per unit, because Missouri isn't  
 23 invested in that component of it. I turn it back to the

24 senator.

25 CO-CHAIRMAN GROSS: Well, Mark, let me ask you a question.

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1 This is Chuck. You're willing to go through all the  
2 recommendations of your committee, obviously right, and I think  
3 by what you said in the beginning, some of them are a little  
4 simpler than others, you have how many recommendations, was  
5 there ten?

6 MR. GARDNER: We have nine.

7 CO-CHAIRMAN GROSS: Would you -- my suggestion is that you  
8 go ahead and make a motion to adopt your report, you had a  
9 quorum, adopt your report. We have a second, and once we have a  
10 second, then we divide into nine pieces, take up each of those  
11 recommendations and vote on each one separately. Would you be  
12 okay with that?

13 MR. GARDNER: I'm fine with that.

14 CO-CHAIRMAN GROSS: Would you take that motion?

15 MR. GARDNER: So I would move that we adopt the committees  
16 recommendations.

17 CO-CHAIRMAN GROSS: Do we have a second to that motion?

18 MR. ZIMMERMAN: I thought you wanted to adopt the report,  
19 and then we were going to vote on the recommendations  
20 separately?

21 CO-CHAIRMAN GROSS: Yeah, we're just going to have a motion  
22 on the second, and then it will be on the floor, and then we can  
23 divide the question into nine pieces.

24 MR. ZIMMERMAN: Okay. So moved.

25 CO-CHAIRMAN GROSS: And you are?

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1 MR. ZIMMERMAN: David Zimmerman.

2 CO-CHAIRMAN GROSS: All right, David. Thank you very much.  
3 We have a motion and a second to adopt the committee's report.  
4 Now, I'll make a motion that we divide the question into nine  
5 pieces. Each one being the nine recommendations by the  
6 committee, and the motion is to divide the question into nine  
7 pieces. Do we have a second on the motion to divide the  
8 question?

9 CO-CHAIRMAN STOGEL: Second.

10 CO-CHAIRMAN GROSS: We have a second from Steven.  
11 Discussion?

12 MR. HALL: Can I have ask a question? This is Bill Hall.  
13 Of those nine recommendations, how many of them differ from the  
14 2010 report?

15 CO-CHAIRMAN GROSS: Mark?

16 MR. GARDNER: I couldn't tell you without pulling out the  
17 2010 report and comparing.

18 CO-CHAIRMAN STOGEL: I think all of them do, but.

19 MR. GARDNER: But most of them, not all of them. There may  
20 in one respect or another. There is at least conceptually  
21 dealing with a five year credit, a lot of similarity between  
22 those two provisions, but most of those are new.

23 CO-CHAIRMAN GROSS: Okay Bill?

24 MR. HALL: Okay. Seemed to me if they were the same as the  
25 2010 report, we could whittle it down from nine to whatever the

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1 differences were.

2 CO-CHAIRMAN GROSS: Mark?

3 MR. GARDNER: I don't think you can do that, because I  
4 think even where there's similarity, there's enough difference.  
5 It's really not the old report.

6 MR. HALL: Okay.

7 MR. GARDNER: And quite frankly, we didn't -- that's not  
8 saying we're abandoning the old report or superseding it --

9 well, we are superseding it to the extent there are differences,  
10 but these are issues that came up, so we addressed the new  
11 issues. Quite frankly, we had -- as I pointed out, we had only  
12 had one meeting where we had a quorum where we could do  
13 anything.

14 CO-CHAIRMAN GROSS: Mark, let me ask you this, was there  
15 any part of the committee's recommendation that adopted the rest  
16 of the committee's report?

17 MR. GARDNER: No.

18 CO-CHAIRMAN GROSS: Okay.

19 MR. GARDNER: From 2010?

20 CO-CHAIRMAN GROSS: Yes.

21 MR. GARDNER: No.

22 CO-CHAIRMAN GROSS: Okay. Motion on the floor. And Jason,  
23 did we get a second?

24 MR. ZAMKUS: From Steven.

25 CO-CHAIRMAN GROSS: We have a motion and second. Further

0038 1 discussion on a motion to divide the question?

2 (No response)

3 CO-CHAIRMAN GROSS: Hearing none. All in favor say aye.

4 (Aye)

5 CO-CHAIRMAN GROSS: The motion has passed. We now have  
6 nine questions before us. Question one is on, and take them in  
7 any order, but referring to the report for simplicity, and so  
8 the record be clear. The parts are, parts one through nine of  
9 the recommendations from the committee, and so Mark you can take  
10 them in any order you want to, but refer to them as  
11 recommendation number four or three or --

12 MR. GARDNER: Sure.

13 CO-CHAIRMAN GROSS: So proceed.

14 MR. GARDNER: Well, we've already discussed recommendation  
15 number two, but recommendation number two was that we allow  
16 credits that were not authorized by Missouri Housing Development  
17 Commission in one program year to be carried forward to future  
18 years until they were used.

19 CO-CHAIRMAN GROSS: And we make that in the form of a  
20 motion to adopt that.

21 MR. GARDNER: Yes, that is a motion.

22 CO-CHAIRMAN GROSS: Do we have a second? Steven seconds  
23 the motion. Steven.

24 CO-CHAIRMAN STOGEL: I second with a modification, if it's  
25 okay with you Mark, that it also pick up authorizations to a

0039 1 developer who fails to use it and MHDC could recapture it.

2 MR. GARDNER: So in other words, the amended recommendation  
3 is going to be to allow credits not authorized by MHDC to be in  
4 one program year be carried forward to the future years until  
5 used, as well as any credits which were authorized but unused by  
6 developer in a year.

7 CO-CHAIRMAN STOGEL: Yes.

8 CO-CHAIRMAN GROSS: So that's the amended motion, and  
9 seconded. Do we have discussion on that motion?

10 (No response)

11 CO-CHAIRMAN GROSS: Hearing none. All in favor say aye.

12 (Aye)

13 CO-CHAIRMAN GROSS: Opposed say no.

14 (No response)

15 CO-CHAIRMAN GROSS: Recommendation number two is adopted.  
16 Mark.

17 MR. GARDNER: The next item is recommendation number three,  
18 which we also discussed, and I would move that this as a point  
19 of clarification, again, just so nobody's mislead. This was one



20 where it was kicked up to this commission, as opposed to one  
 21 which we passed and specifically recommended. So our  
 22 recommendation was simply that the commission take it up. I'm  
 23 going to put it in a motion form that we pass it, and then I  
 24 guess that way we can get a second and discussion, but I would  
 25 move that we have an exemption from MHDC target cost per limit

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1 of approximately \$200,000 on projects which are not utilizing  
 2 the state low income housing tax credit.  
 3 CO-CHAIRMAN GROSS: Mark, the \$200,000 cap be one where the  
 4 Missouri low income tax credit is used.  
 5 MR. GARDNER: Would be one what?  
 6 CO-CHAIRMAN GROSS: The \$200,000 per unit cap is one which  
 7 uses Missouri low income tax credits.  
 8 MR. GARDNER: Right, in other words, if you don't use the  
 9 state income low income housing tax credit, you're not subject  
 10 to -- another way of saying the motion would be, any project  
 11 that doesn't use Missouri low income housing tax credits is not  
 12 subject to the target cost per unit prescribed by Missouri  
 13 housing.  
 14 CO-CHAIRMAN STOGEL: For the record, this is Steven, I'm  
 15 going to abstain on this vote.  
 16 CO-CHAIRMAN GROSS: So noted for the record. Steven  
 17 abstained on this third recommendation. Mark I'm really sorry,  
 18 I need you to make that motion again so we can get a second.  
 19 MR. GARDNER: Okay. My motion is that for projects in the  
 20 state of Missouri that do not apply for and do not receive an  
 21 award of state low income housing tax credits, than those  
 22 projects should not be subject to Missouri Housing Development  
 23 Commissions target cost per unit standards.  
 24 CO-CHAIRMAN GROSS: I understand it now, do we have a  
 25 second on that motion?

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1 MR. VAN MATRE: Second, Van Matre.  
 2 CO-CHAIRMAN GROSS: Thank you Craig. Further discussion on  
 3 the motion? I have a question, Mark really quick.  
 4 MR. GARDNER: Okay.  
 5 CO-CHAIRMAN GROSS: So this is not an issue that affects  
 6 the issue of the cap of the low income tax credit. It's a  
 7 procedural thing by MHDC?  
 8 MR. GARDNER: Right. MHDC and they would have to speak for  
 9 themselves, but I think it's pretty clear. MHDC received  
 10 criticism where we were using state low income housing tax  
 11 credits, and state historic tax credits both, as well as the  
 12 other two credits, and the costs per unit were getting what some  
 13 people thought to be excessive. And so, what we have done  
 14 throughout not only in 2010, well it's been done in the  
 15 legislature, in the last several years is we've talked about  
 16 trying to get rid of the stacking, total stacking of credits  
 17 where you've got all four of the credits. And so, what my  
 18 thought was is if you have a developer that says look, I'm going  
 19 to be doing it first of all, it's only going to work in  
 20 St. Louis or Kansas City, because you can't -- I don't think you  
 21 can do a historic project downstate Missouri without stacking,  
 22 okay. I think you can do it in St. Louis or Kansas City without  
 23 stacking, okay. So let's assume we can do it in Kansas City or  
 24 St. Louis. What are the costs -- why am I worried about MHDC  
 25 limit then? Number one, I'm worried about it because the cost

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1 per unit in St. Louis and Kansas City I don't think the  
 2 standards are realistic standards. I guess what I'm saying is  
 3 if it cost me more than \$200 per square foot, let's say or  
 4 \$200,000 a unit I mean, cost more than \$200,000 a unit because

5 my costs are higher in St. Louis or Kansas City, but I'm willing  
 6 to give up the state low income housing tax credit, and I can  
 7 still find a way to make it work by putting on conventional debt  
 8 or by getting higher rents, or whatever my means is of resolving  
 9 that problem. If I can do those things, then why should I be  
 10 subject to -- I mean, I'm not asking for state low income  
 11 housing tax credits, why should I be subject to their target  
 12 cost? Technically, I'm not sure that you are any way. But I  
 13 think it would be -- it certainly is an issue whether you are,  
 14 because the state agency administers both the federal and state  
 15 credits, and so if you're getting federal low income, somebody  
 16 could still try to say you're still subject to the target cost  
 17 per unit, and I just don't think the target cost per unit  
 18 standards are reasonable. As Steven pointed out, you know,  
 19 depending on where you are, the costs are high. And this isn't  
 20 for me guys, I don't do historic preservation in St. Louis or  
 21 Kansas City, haven't done historic preservation deal for five  
 22 years.

23 CO-CHAIRMAN GROSS: Mark, I think I got it anyway. I  
 24 appreciate it.

25 MR. GARDNER: I know the costs are very, very high and it's

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1 very difficult to achieve that \$200,000 per unit cost, and if  
 2 you're not using state low income housing tax credits, then why  
 3 does it matter anyway. That's the jest of my motion.

4 CO-CHAIRMAN GROSS: Thank you.

5 MR. HALL: Can I ask a question? I mean, I'm voting on  
 6 things I have no idea about. This is Bill Hall. Because we're  
 7 really gets down in the wheat. Are these administrative matters  
 8 or legislative matters that we're discussing? I mean, is this  
 9 the policy of MHDC or would this be included in any kind of  
 10 legislative recommendation?

11 CO-CHAIRMAN GROSS: It could be legislative. From 2010  
 12 report, we just told MHDC they need to look at this cost per  
 13 unit issue, and they developed some standards, but my belief is,  
 14 Jason tell me if I'm wrong, legislature could write a statute  
 15 that directs or prohibits or whatever and impacts this MHDC  
 16 target cost per unit issue, right.

17 MR. ZAMKUS: That's correct, Senator.

18 CO-CHAIRMAN GROSS: I think the issue is one MHDC's  
 19 ballpark that the legislature would definitely weigh in with  
 20 it's own legislation, is that okay Bill?

21 MR. HALL: Well, I'm not -- it's okay. I think I wouldn't  
 22 become comfortable voting for it, because I haven't heard what  
 23 MHDC has to say. And then again, this is so technical and so  
 24 specific, that it worrisome to me.

25 CO-CHAIRMAN GROSS: Would you prefer -- I mean, you can do

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1 whatever you want to do. I don't know how the rest of the  
 2 commission feels about it. We could just not adopt this, or  
 3 another idea just throwing them out on the table is to let the  
 4 2010 recommendation on this issue stand, but recommend that MHDC  
 5 not put projects that do not include state low income tax  
 6 credits in exemption into the dollar cap. I don't know that is  
 7 a little confusing. Anybody else want to weigh in on this?

8 MS. RANDOL: I agree with Bill. I think this is -- we need  
 9 a little bit more time to digest this, and possibly hear from  
 10 MHD since this is different than the 2010, we going away from  
 11 that report, and we haven't had much time to look at that  
 12 report.

13 CO-CHAIRMAN STOGEL: This is Steven. I'm not going to  
 14 vote, but Bill, I really appreciate how technical this is. This  
 15 is something that's actually active at MHDC right now, as Mark

pointed out earlier, it's really -- it would have a, in Kansas City predominantly, a \$200,000 cap would impede the ability to do almost any historic rehab. So consistent with the 2010 report, it says you can't stack four times, putting Missouri low income on top of federal low income on top of the federal and state historic, because of the much higher rent structure. Even though there's higher construction cost in St. Louis and Kansas City, it's possible to make historic rehab work with low income credits without Missouri credits in Missouri -- in St. Louis and Kansas City, rural Missouri is a different case, but the

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1 uniformity of the \$200,000 cap on these units will maybe in 2012 and maybe the 2013 rounds how MHDC looks at this.

2 And you know, I guess maybe I'm too close to it because I work in this area, but I just keep coming back to if we're not using, I mean, Steven is actually right, in 2010 what we're worried about in 2010 what everybody is always complaining about with the stacking of four credits, I don't think that anybody has ever suggested that we limit a project -- you can always have the federal credits, federal low income, federal historic, nobody cares about that. The concern was always are you using both Missouri low income and historic and doubling up on our state credits. That was always the concern. And the concern that by stacking you're also getting these really high costs per unit. And just as a matter of fact, and this is what happens when you try to fix problems, and we don't have the ability to see through, what we don't lack sometimes as a commission, the ability to see, we have consequences of the things, we're trying to do something really good and there are consequences. So we're telling MHDC wow, yes we should get rid of some of the stacking, we should have a target price, we should do some things. So then MHDC goes back and they go okay, well we're going to have a target price of \$200,000.

3 Well that price is no different in Aurora, Missouri than it is in St. Louis, Missouri, and I can tell you historically that the difference in wages between St. Louis and Aurora are

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1 probably about 3 to 4 to 1. So there is no distinction drawn between the really high cost area of doing historic preservation and a lower cost area of doing preservation. And we're going to get to another issue in here that touches on that issue too, but for me, it's pretty clear. For others, it may not be, and I'm not being critical because it's not clear, I'm just saying I work in the area, so obviously I've had a lot of experience dealing with it in a practical manner, and if we're not willing to support it at a minimum, I would at a minimum ask MHDC to reconsider their rule on that for that, and I would like to see us recommend -- like to see us adopt my recommendation. If we can't, then I would at least like us to request that MHDC reevaluate it's policy, because I don't agree with the policy.

2 CO-CHAIRMAN GROSS: Okay, Mark has made the motion, I don't remember if we got a second on it, if not I'll second it. He did have a second, that's why we're discussing it. Further discussion on this?

3 MR. KOMO: Mark, I have a question, this is Sam Komo.

4 CO-CHAIRMAN GROSS: Sam, go ahead.

5 MR. KOMO: The way I'm understanding this is that the MHDC took a recommendation or a question we had about the stacking issue and kind of ran with it, developed new policy and recommendations that are coming from this committee now are in response to those new policy changes that were kind of from the recommendations that we suggested, correct.

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1 MR. GARDNER: I believe that to be the case Steven. I  
2 don't think there was any limiting until when, a year ago?  
3 Target, do you know? Hello? Steven Stogel are you there?

4 CO-CHAIRMAN STOGEL: Yeah, can you hear me Mark?

5 MR. GARDNER: Barely. Yeah, it sounds like you're in a  
6 truck.

7 CO-CHAIRMAN STOGEL: Yeah, somebody's phone again, they're  
8 either in their truck or something causing.

9 MR. GARDNER: Or a speakerphone maybe, yeah, that's much  
10 better. I think the question is the cost per unit limit was in  
11 response, and here's where I'm being careful. I can say it was  
12 in response to conversations which had occurred in the  
13 legislature or as a result of our 2010 report. I don't know  
14 that I can say which, but I think it came as a result of our  
15 2010 report because I think we asked MHDC to look at measures to  
16 hold down total costs on those projects, did we not?

17 CO-CHAIRMAN STOGEL: I think the sole issue is there's  
18 really no Missouri low income credits, then Missouri new  
19 procedural costs per unit be imposed on a federal credit only  
20 project. I gave my soap box moment before, but it is a near and  
21 present issue that affects Kansas City and St. Louis, Bill.

22 MR. GARDNER: Let me just be honest with you too, what it  
23 affects is you know, you have higher salaries, higher wages in  
24 St. Louis and Kansas City, and if you have the same standard,  
25 which we do today, it makes absolutely no sense. The same

0048

1 standard for Kirksville, Missouri, for Maryville, Missouri and  
2 St. Louis. Same cost. I mean honestly, I know MHDC had nothing  
3 but the best of intentions in studying the policy, but the  
4 policy that does not recognize the distinction between relative  
5 geographic costs of doing something, that's what we're dealing  
6 with here. At least that's what I'm dealing with here.

7 MR. STILL: I have a question. Can I ask a question? Is  
8 MHDC involved in these projects because it administers federal  
9 programs as well as state programs? So it's involved in some  
10 projects that don't have any Missouri low income housing  
11 credits; is that right?

12 MR. GARDNER: That's true.

13 CO-CHAIRMAN GROSS: Identify yourself, please.

14 MR. STILL: This is Russell Still.

15 MR. GARDNER: And the answer is yes.

16 CO-CHAIRMAN GROSS: And Mark acknowledged the answer is  
17 yes.

18 MR. KOMO: Okay, this is Sam Komo again. That's helpful.  
19 I didn't quite see where -- how this came up, but okay.

20 CO-CHAIRMAN GROSS: Sam, do you have another questions?

21 MR. KOMO: I guess just a clarification. I really -- the  
22 motion that's in front of us now is to either continue to move  
23 forward to, I guess resolve some of the issues that have been  
24 created possibly from our last report or the legislature, or to  
25 leave our recommendation as stand to possibly go back to the old

0049

1 policy, am I wrong?

2 CO-CHAIRMAN GROSS: I don't think that is correct. His  
3 motion is straight up to alter the 3rd recommendation from the  
4 committee's report and exempt those projects that don't have any  
5 Missouri state low income credits involved from the cap. That's  
6 been imposed by MHDC.

7 MR. KOMO: I apologize, I thought I heard somebody was  
8 talking in a different direction.

9 CO-CHAIRMAN GROSS: Okay. Anymore discussion? If not, we  
10 need to go to a vote. Steven again for the record, is  
11 abstaining on this vote. All in favor of the motion say aye.

12 (Aye)  
 13 CO-CHAIRMAN GROSS: Opposed say no.  
 14 (No response)  
 15 CO-CHAIRMAN GROSS: The ayes have it. And recommendation  
 16 three from the committee has been revised and adopted. Mark?  
 17 MR. WAGNER: Senator, this is Ray Wagner, can I ask a quick  
 18 question?  
 19 CO-CHAIRMAN GROSS: Go ahead Ray.  
 20 MR. WAGNER: What's our ETA for finishing up? I have a  
 21 commitment at 3:00 that requires me to hang up or dial out for  
 22 at least a little while at that moment. I know the committee  
 23 I'm on is number ten.  
 24 MR. GARDNER: Well, I got to tell you, we're at least 15  
 25 minutes -- we could take the full half hour Ray, honestly. So I  
 0050 guess somewhere --  
 1 CO-CHAIRMAN GROSS: Tom have you joined?  
 2 MR. REEVES: Yeah, I'm on.  
 3 CO-CHAIRMAN GROSS: Okay, so we have Tom for historic and  
 4 Chuck for low-come -- global. Mark has -- let's try to get  
 5 through Marks in 15 minutes on some of --  
 6 MR. GARDNER: We can try to make it fast, and I will try to  
 7 make it fast, okay, try to do it quickly.  
 8 Item number five. I have a motion that would permit the  
 9 stacking of state low income housing tax credits and state  
 10 historic tax credits on projects in counties with projects with  
 11 population of 50,000 or less.  
 12 CO-CHAIRMAN GROSS: We have a motion or recommendation  
 13 number five to allow for the stacking of state low income and  
 14 federal low income and state historic and federal historic; is  
 15 that your motion?  
 16 MR. GARDNER: Right.  
 17 CO-CHAIRMAN GROSS: Which differs from the original report,  
 18 which would not allow that stacking of course. That's why it's  
 19 a new motion.  
 20 MR. GARDNER: Right. And this is only in counties where  
 21 the county population is less than 50,000.  
 22 CO-CHAIRMAN GROSS: Mark, can you give us please a very  
 23 distinct justification for the recommendation?  
 24 MR. GARDNER: Right. We had a pretty long discussion in my  
 0051 committee about this yesterday, and the committee ultimately  
 1 passed this. This is not one we kicked upstairs, this is one we  
 2 passed. And here's the problem. In St. Louis and Kansas City,  
 3 it's a reverse problem. In St. Louis and Kansas City, you got  
 4 higher incomes, you can get higher rents, and you can do  
 5 historic preservation projects either as low income projects or  
 6 as market rate projects. Either, you know, people they just  
 7 simply have higher incomes, and can afford to pay the rents.  
 8 Now, if you get out in downstate Missouri in counties with  
 9 50,000 or less population, there used to be a lot of historic  
 10 preservation being done out there, and the problem is about the  
 11 only way you can do historic preservation in a county with a  
 12 population of 50,000 or less is by stacking all four of those  
 13 credits. You're going to have to do a low income housing tax  
 14 credit project --  
 15 CO-CHAIRMAN GROSS: Mark?  
 16 MR. GARDNER: Yes.  
 17 CO-CHAIRMAN GROSS: Let's -- because of the time factor,  
 18 you're committee was for it, I concur mathematically. It's a  
 19 really good thing for rural counties. It's all under the to be  
 20 discussed new caps. It strikes me as a strong and positive  
 21 change from the 2010 report, professionally, and I have no  
 22

23 conflict on this decision. Sorry Mark to cut you off, just  
24 trying to move along, unless somebody needs some more.

25 MR. GARDNER: That's fine. If I don't need to explain it  
0052

1 anymore that's great.

2 CO-CHAIRMAN GROSS: Do we have a second on the motion?  
3 I'll second it, this is Chuck. Any further discussion on the  
4 motion?

5 MR. REEVES: Yeah, this is Tom Reeves. I just want to make  
6 sure we're kind of aware of, you know, what happened in the  
7 historic committee, just so that we're trying to be somewhat  
8 consistent. We also last time eliminated stacking in this case  
9 and in the recent committee, we actually added the stacking  
10 authorization back and endorsed the stacking could be coupled  
11 with low income tax credit only. We did not have any limitation  
12 as it relates to the population of a county, but we also  
13 advocated that the 25 percent of QRE eligibility be reduced to  
14 15 when they're stacking. So, we actually did penalize certain  
15 stacking in that case. I'm putting that out there for  
16 information here. I chaired the historic committee, and I just  
17 want to make sure that in some cases we're going to be  
18 consistent.

19 CO-CHAIRMAN STOGEL: Hey Tom?

20 MR. REEVES: Yes.

21 CO-CHAIRMAN STOGEL: This is Steven. Let's move along on  
22 Mark's motion, and then when we get to historic, we'll take up  
23 that motion and then in global issues, we'll smooth out any  
24 differences.

25 MR. REEVES: Okay.

0053

1 MR. WOOD: This is Mike Wood. I have a quick question.  
2 How many counties are we talking about have the population  
3 50,000 or less?

4 CO-CHAIRMAN STOGEL: I don't know the answer. I would say  
5 around 100 or so, isn't there.

6 MR. WOOD: We're exempting 14 counties is what we're  
7 exempting that won't allow stacking? The rest of the state  
8 will?

9 CO-CHAIRMAN STOGEL: I haven't done a count, I'm just  
10 saying the vast majority are under 50,000.

11 MR. GARDNER: And one of the things I didn't get to, but  
12 the reason -- the primary reason you rely on the stacking is if  
13 you don't allow stacking, then the only place in this state  
14 where you're going to have historic preservation is St. Louis  
15 and Kansas City, and that will be -- the historic preservation  
16 tax credit will be a St. Louis Kansas City tax credit.

17 CO-CHAIRMAN GROSS: It's almost all the counties, whoever  
18 asked the question, and it's all under the to be discussed tabs.  
19 Subject to smoothing it out later, maybe we could move it  
20 along here.

21 MR. GARDNER: And that can be tweaked later, Steven you're  
22 right.

23 CO-CHAIRMAN GROSS: Okay. Further discussion on the  
24 motion?

25 (No response)

0054

1 CO-CHAIRMAN GROSS: Hearing none. All in favor say aye.  
2 (Aye)

3 CO-CHAIRMAN GROSS: Opposed no.

4 (No)

5 MR. REEVES: I'm going to abstain on this one. Tom Reeves,  
6 so we can get to the next level.

7 CO-CHAIRMAN GROSS: For the record, Tom Reeves is

8 abstaining on this vote, and the vote is questionable, so let's  
9 have another all in favor of the motion say aye.

10 (Aye)

11 CO-CHAIRMAN GROSS: Opposed say no.

12 (No)

13 MR. GARDNER: You may want to roll call that, since by  
14 phone.

15 CO-CHAIRMAN GROSS: Let's have a roll call. I'll call the  
16 role on the motion. Senator Justus?

17 (No response)

18 CO-CHAIRMAN GROSS: Senator Wright-Jones?

19 (No response)

20 CO-CHAIRMAN GROSS: Steven Stogel?

21 CO-CHAIRMAN STOGEL: Yes.

22 CO-CHAIRMAN GROSS: Senator Flook?

23 MR. FLOOK: Yes.

24 CO-CHAIRMAN GROSS: Sam Komo?

25 MR. KOMO: Yes.

0055

1 CO-CHAIRMAN GROSS: Jim Anderson?

2 MR. KOMO: Yes.

3 CO-CHAIRMAN GROSS: Zack Boyers?

4 (No response)

5 CO-CHAIRMAN GROSS: Mark Gardner?

6 MR. GARDNER: Yes.

7 CO-CHAIRMAN GROSS: Luana Gifford?

8 MS. GIFFORD: No.

9 CO-CHAIRMAN GROSS: Bill Hall?

10 MR. HALL: Yes.

11 CO-CHAIRMAN GROSS: Pete Levi?

12 MR. LEVI: Yes.

13 CO-CHAIRMAN GROSS: Alan Marble?

14 MR. MARBLE: Yes.

15 CO-CHAIRMAN GROSS: Troy Nash.

16 (No response)

17 CO-CHAIRMAN GROSS: Melissa Randol?

18 MS. RANDOL: No.

19 CO-CHAIRMAN GROSS: Tom Reeves?

20 MR. REEVES: No.

21 CO-CHAIRMAN GROSS: Penney Rector?

22 MS. RECTOR: No.

23 CO-CHAIRMAN GROSS: Russ Still?

24 MR. STILL: Yes.

25 CO-CHAIRMAN GROSS: Craig Van Matre?

0056

1 MR. VAN MATRE: Yes.

2 CO-CHAIRMAN GROSS: Ray Wagner?

3 MR. WAGNER: Yes.

4 CO-CHAIRMAN GROSS: Shannon Weber?

5 MR. WEBER: Yes.

6 CO-CHAIRMAN GROSS: Mike Wood?

7 MR. WOOD: No.

8 CO-CHAIRMAN GROSS: David Zimmerman?

9 MR. ZIMMERMAN: Yes.

10 CO-CHAIRMAN GROSS: And I vote yes. The vote is one, two,  
11 three, four, five, six, seven, eight, nine, ten, eleven, twelve,  
12 thirteen, fourteen ayes and one, two, three, four is what I  
13 counted. Jason do you concur?

14 MR. ZAMKUS: I have five noes.

15 CO-CHAIRMAN GROSS: I'm sorry? 14 aye five no. The motion  
16 passes.

17 Mark, what's your next motion?

18 MR. GARDNER: The next motion, let's go to the cap.

19 CO-CHAIRMAN GROSS: What number is that?  
 20 MR. GARDNER: Well, people can refer to 8 and 9. I'm  
 21 going to discuss 8, but I think 8 kind of got superceded by  
 22 nine. 8 was reduce the statewide tax cap to an amount  
 23 appropriate to reflect the continued need for affordable housing  
 24 in the state that was 8. Our recommendation number nine reduce  
 25 the cap on the nine percent credit to \$115 million over ten

0057  
 1 years and a cap on the four percent to \$20 million over twenty  
 2 years. I'll explain briefly before I put it in a motion. I  
 3 guess we'll have the motion first then we'll have a discussion.

4 CO-CHAIRMAN GROSS: Are you going to combine 8 and 9  
 5 into one motion?

6 MR. GARDNER: I think so. Unless somebody thinks  
 7 that's too awkward to combine those two.

8 CO-CHAIRMAN GROSS: No, you're okay. Go ahead.

9 MR. GARDNER: Well, my motion would be to combine 8  
 10 and 9. The motion would be to reduce the state's LITECH cap to  
 11 an amount appropriate to reflect the continued need for  
 12 affordable housing in the state and to reduce the cap on the  
 13 nine percent credit to \$115 million over ten years and a cap on  
 14 a four percent credit to \$20 million over ten years.

15 CO-CHAIRMAN GROSS: That's the motion. Do we have a  
 16 second on the motion?

17 CO-CHAIRMAN STOGEL: I'll second that.

18 CO-CHAIRMAN GROSS: Steven seconds the motion.  
 19 Discussion?

20 (No response)

21 CO-CHAIRMAN GROSS: Mark, go ahead.

22 MR. GARDNER: All right. Essentially what we did is  
 23 the way it currently sits is we have 130, for this year we'll  
 24 have about \$135 million authorization for the nine percent  
 25 credit, and \$60 million for the four percent credit, that's \$195

0058  
 1 million dollars. Our committee discussed, and this is one of  
 2 the things that was really tough for us, because I think we  
 3 believed in our committee and it's in our report that you can  
 4 track the impact of the recession on low to moderate income  
 5 people, it's hit them the hardest. And the ratio of affordable  
 6 housing units that are been available for persons that need them  
 7 that's dropping. People's incomes were dropping in that segment  
 8 quicker while transportation costs and housing costs were going  
 9 up.

10 So, to make a long story short, and try to keep this  
 11 short. Things are deteriorating for the people that need this  
 12 housing the most, and so as a committee, our initial reaction  
 13 was maybe we shouldn't even resist -- maybe we shouldn't even  
 14 report the number maybe the legislature should just decide it.  
 15 As a chairman, I pushed for number because I said I felt that as  
 16 a practical matter, the legislature and even perhaps this  
 17 commission, wanted to see a number out of this. And that we  
 18 needed to come up with a number. We needed to show that we were  
 19 coming to the table. We needed to show that we were willing to  
 20 take a hit like everybody else, and if the historic people were  
 21 taking about a 30 percent hit, we could probably do the same  
 22 thing.

23 Now, I could sit here and give you a two hour speech  
 24 on why that's wrong and why the low income credit serves public  
 25 necessity, because it puts a roof over someone's head, and it's

0059  
 1 not a luxury credit, which I view the historic one as being.  
 2 Therefore, we should be spared the axe, or certainly we should  
 3 get a much smaller cut. Because we are putting roofs over



4 people's heads, taking care of people who truly are suffering  
 5 during the rescission, but the bottom line was, I mean a lot of  
 6 people can make that case to the legislature, I feel we had to  
 7 come forward with the credible cut. This was what my personal  
 8 recommendation was, and I quite frankly, I felt like I had to  
 9 push a little bit to get it. I would say our committee did this  
 10 reluctantly.

11 CO-CHAIRMAN GROSS: Thank you Mark. This is Chuck,  
 12 quick question, the recommendation in 2010 was a cap of \$80  
 13 million dollars over five years, right?

14 MR. GARDNER: That's correct.

15 CO-CHAIRMAN GROSS: And on the four percent credit, we  
 16 eliminated four percent credit, correct?

17 MR. GARDNER: You're correct.

18 CO-CHAIRMAN GROSS: So there's a motion on the table  
 19 to and a second to A cap the amount appropriate to reflect the  
 20 continued need and Mark explained that was the first thought,  
 21 and then clarifying that, reduce the cap on the 9 percent credit  
 22 to \$115 million over ten years and the cap on the four percent  
 23 credit to \$20 million over ten years.

24 CO-CHAIRMAN STOGEL: This is Steven, couple of  
 25 technical comments. This only affects the Missouri low income

0060  
 1 credit, it doesn't affect the federal low income credit, which  
 2 MHDC administers. The current authorization for nine percent  
 3 credit under Missouri law is up to the federal amount, which is  
 4 \$132 or \$135 million per year but spread over 10 years or \$60  
 5 million over state low income spread over ten years to come out  
 6 of the bond deal. 2010 to restate what we did, we eliminated  
 7 all Missouri low income from bond deals, and we tried to shrink  
 8 the \$132 million state low income to track the federal number  
 9 down to 80, but to have it come in over five years not ten.  
 10 Subsequent legislative action, Jason, the legislature in 2011  
 11 and '12 went back to a ten year program that recommended five  
 12 years, and Jason what were the caps the legislature dialogued in  
 13 2011 and '12.

14 MR. ZAMKUS: Well, the caps varied considerably to my  
 15 recollection on low income housing.

16 CO-CHAIRMAN GROSS: That's why I'm asking the  
 17 question, because they did.

18 CO-CHAIRMAN GROSS: Right. I'm just looking at page  
 19 21 and 22 of your legislative report.

20 MR. ZAMKUS: Yeah. And there was a proposal that  
 21 started to cap the nine percent credit at \$16 million per year,  
 22 eliminated the four percent credit and then gradually phased  
 23 down the nine percent credit cap. There were other proposals  
 24 that went as high as \$110 million over 10 years for the nine  
 25 percent credit. Notably in the special section in eight, that

0061  
 1 was probably the bill that made it about as far as any of them.  
 2 The introduced version started with \$110 million dollar cap with  
 3 \$11 million over ten years on 9 percent credits beginning in FY  
 4 '12. It had a \$20 million cap on four percent credit and then  
 5 gradually phased that down \$2 million each year and had some  
 6 other additional stacking issues with it as well.

7 The perfected Senate substitute added provisions that  
 8 phased the cap on nine percent. It started at 110 and ended at  
 9 75 by fiscal year '15 and instituted a \$15 million cap on  
 10 authorization of four percent credits, which would then be  
 11 reduced by five million each year until FY '15 until which time  
 12 there would be no four percent credits available into the  
 13 future.

14 CO-CHAIRMAN GROSS: Steven?

CO-CHAIRMAN STOGEL: Thank you, Jason. First of all, Mark, the notion here that your committee, and I know you have spent hours with other folks in the industry, to come back to the table with sizable reduction is really an accomplishment. The impression for the commission is in 20 that's -- and I'm going to stop, apart from where we ended up before, so focused only on the ten year credit the legislature was at \$110 and a phase out of the four percent credits, \$115, Mark, is a touch higher than where the legislature was, so.

CO-CHAIRMAN GROSS: Okay. This is Chuck. In 2010 our report said \$80 over five years or \$14 million there, I'm sorry,

\$16 million there, and no four percent credit and this recommendation is \$115 over 10 for \$11.5 million and 20 over 10 for \$2 million, for a total of \$13.5. So a recommendation in 10 was a total of \$16 million for each year for five years, and this year it's half million for ten years. Is that too simple to state it that way, Mark?

MR. GARDNER: I'm not sure I'm tracking what you're saying, because we had so many different alternative proposals.

CO-CHAIRMAN GROSS: But what I'm saying is in 2010, the recommendation was a cap of \$80 million and taking a cap from 10 year to 5 year.

MR. GARDNER: Take it again in five years, wasn't it?

CO-CHAIRMAN GROSS: That's what I said. So \$16 million a year, right?

MR. GARDNER: Right.

CO-CHAIRMAN GROSS: And this recommendation is \$115 million for a ten year credit, so \$11 and a half million dollars for the 9 percent credit and for the 4 percent it's 20 million over 10 years, \$2 million dollars per year. So a total of \$13 and a half million. So it's \$16 versus \$13 and a half. No?

MR. GARDNER: I mean, I think that's what you're saying.

CO-CHAIRMAN GROSS: So the yearly cap is actually less with your recommendation than it was in 2010?

MR. GARDNER: Right.

CO-CHAIRMAN GROSS: The argument against it would be in my opinion, your recommendation is that it's a less efficient credit because one of our recommendations are the reasons for going from a ten year to a five year credit was the efficiency that you gained.

MR. GARDNER: Right. We have that, if you look at item number 7, we got back into the five year credit, a variation of the five year credit with a transition. It was a tweaking of the five year credit where we're trying to transition through the bubble, and this was Craig Van Matre's idea. And so we haven't abandoned that concept.

CO-CHAIRMAN GROSS: So how does that work with your motion that's on the table now?

MR. GARDNER: I think my motion on the table now, assuming we stay with the ten year credit, these are the numbers.

CO-CHAIRMAN GROSS: So it would make Craig's recommendation moot. These are competing ideas?

MR. GARDNER: I think they're competing ideas.

CO-CHAIRMAN STOGEL: They're alternates is the way I would.

CO-CHAIRMAN GROSS: That was Steven talking. This is Chuck. So, then if this motion was adopted, we went back to number 7, which is phasing out the ten year credits in favor of the five year credit, and if that motion was to pass, then we

0064

1 would be given the legislature two alternate ideas?

2 MR. GARDNER: That would be giving the legislature a  
3 couple different things to look at, yes.

4 CO-CHAIRMAN GROSS: The way Steven saying it here,  
5 with that in mind, because I will state my goal in this 2012  
6 redo is to give the governor and legislature some significant  
7 savings, and I don't have the tally, and I'm hoping that Sallie  
8 has that. I want the savings that we had in 2010 if we can get  
9 as close to that as possible.

10 So I will support this motion because I do think it  
11 does give us the yearly savings, and maybe even a little bit  
12 more, and hopefully when we get to number 7, we will see what  
13 that is, if that can secure the same or more savings, I will  
14 support that as well. That's my opinion, not a motion. Further  
15 discussion?

16 (No response)

17 CO-CHAIRMAN GROSS: Hearing none. All in favor of the  
18 motion, say aye?

19 (Aye)

20 CO-CHAIRMAN GROSS: Opposed say no.

21 The ayes have it, and the motion is adopted. Mark,  
22 going to number 7 now.

23 MR. GARDNER: I will read the motion, and then I'm  
24 going to let Mr. Van Matre who is better able to explain it if  
25 we have discussion on it, then I am.

0065

1 The motion is that we transition from the ten year  
2 credit, this is low income obviously, ten year low income  
3 housing tax credit to a five year low income housing tax credit  
4 and that we address the bubble which is caused by making the  
5 transition during the first three years, caused by making the  
6 transition during the first three years of the overlapping span,  
7 a seven year credit with years one through five able to be  
8 redeemed for 75 percent of the credit amount, and then years six  
9 and seven to be redeemed at 25 percent of the credit amount.  
10 That's the motion. Essentially what you're doing is you're  
11 creating a seven year credit.

12 CO-CHAIRMAN GROSS: Thank you. That is the  
13 recommendation from the committee. Craig, if you would give us  
14 any further explanation, and put it when you're done in the form  
15 of the motion please.

16 MR. VAN MATRE: This is Craig. I am not a fan of the  
17 ten year credit, I'm really not a fan of the five year credit.  
18 I'd much prefer to see this as a three year credit because of  
19 the lack of efficiency that's attributable to the long period of  
20 time between -- over which the credit is claimed. The best way  
21 I think to look at these long-term credits like this where you  
22 redeem a credit in a smaller amount is as though the state of  
23 Missouri were borrowing the money from an investor. So if the  
24 state borrows a dollar and says I'll pay you back at ten cents a  
25 year over ten years. Then you look at the amount that actually

0066

1 goes into the projects themselves currently, based on current  
2 interest rate market. The ten year credit results in about 40  
3 cents going into a project. That is the same thing as if the  
4 state were borrowing money at somewhere around 13, 14 percent a  
5 year, much higher than it's bond amount.

6 So if you short mount the period of time of  
7 redemption, much more of the money that attributable to the  
8 credit goes into the project and much less is lost in leakage in  
9 affect to the market makers of these credits, and so the state  
10 gets a much greater benefit as a result of the much shorter

11 credit.

12 The argument against that though is that in  
13 implementing a new credit you get a bubble where the then year  
14 credit continues to be redeemed, but now you got shorter credits  
15 that are redeemed in larger amounts in current years, and so you  
16 have a drain on the financial resources of the state instead of  
17 eliminating expenditures, and thereby creating more of a surplus  
18 in the budget. To ameliorate that transition, which I think  
19 ideally we'd like to get done as soon as possible, but  
20 recognizing the reality, you start with a period of three years  
21 during which the quote five year credits that are issued during  
22 those first three years are redeemable over seven years. And if  
23 you look at a five year credit, and compare it to ten years  
24 credit, half of the credit amount is the same as if it were a  
25 ten year credit. So you're talking about how to ameliorate the

0067  
1 last half of that, and I'm just taking half of that half or 25  
2 percent and saying redeem that over the course of the five year  
3 credit, and the other half of that half I'm saying redeem over  
4 the final two years of the seven year cycle, after three years  
5 then you only have five year credits issued.

6 In the meantime, you'd be burning off most of the ten  
7 year credits that are still overhanging. So the idea is get us  
8 down to the shortest credit as possible, as soon as possible,  
9 given the budget constraints, and this approach seems to do it.  
10 At least in my cursory and humble opinion.

11 CO-CHAIRMAN GROSS: Okay. Did you make that in the  
12 form of the motion?

13 MR. VAN MATRE: Yes, it was.

14 CO-CHAIRMAN GROSS: Do we have a second for the  
15 motion?

16 CO-CHAIRMAN STOGEL: I will certainly second that.

17 CO-CHAIRMAN GROSS: Steven seconds the motion.  
18 Steven?

19 CO-CHAIRMAN GROSS: I think it's a terrific idea,  
20 Craig, because moving towards the 2010 conclusion for the nine  
21 percent credits as a five year tax run as opposed to a ten year  
22 period really adds to the efficiency of the credits, and it  
23 would be a good alternate for the legislature to look it.  
24 Although it sounds complex, it can be on a spreadsheet and it's  
25 an ingenious idea.

0068  
1 If the legislature reviews this Senator, it's a far  
2 better present value significantly to the state than the ten  
3 year deal and what Craig's modification of the 2010 report does,  
4 is it makes it -- it's a cash flow of blending, to spread the  
5 redemptions out over a longer period, so it doesn't cause  
6 redemptions to spike in years three, four and five. So it's --  
7 I'd like to see it on a spreadsheet, but it makes immense sense.

8 CO-CHAIRMAN GROSS: So we have a motion and a second  
9 to adopt number 7. Would Craig and Mark, would you be okay if I  
10 amended that only to say that so the report is clear to the  
11 governor and legislature, that this is an alternate to the  
12 previous motion?

13 MR. GARDNER: Yeah.

14 MR. VAN MATRE: Fine with me.

15 CO-CHAIRMAN GROSS: Hopefully it can get written up  
16 that way, unless there's an objection from anyone in the  
17 commission. Okay. Any further discussion on the motion?

18 (No response)

19 CO-CHAIRMAN GROSS: All in favor say aye.

20 (Aye)

21 CO-CHAIRMAN GROSS: Opposed say no.

22 MR. GARDNER: We're getting, thank God we're getting  
23 close to being done.

24 Item six, the motion would be that we as a commission  
25 recommend to Missouri Housing Development Commission that the

0069

1 reduction, proposed reduction in credits not be applied to  
2 projects where the applications have already very been  
3 submitted, period. Now, let me explain.

4 CO-CHAIRMAN GROSS: That's the motion. Do we have a  
5 second on the motion?

6 MR. REEVES: Second. Tom Reeves.

7 CO-CHAIRMAN GROSS: Thank you, Tom. Go ahead. I got  
8 a question for Mark real quick. The 2010 recommendation was  
9 consistent with our do no harm principal that once an  
10 application had reached a certain point, that the process being  
11 an award, that then it would not fall under the new cap.

12 MR. GARDNER: Right, and I don't remember what the  
13 language we used there was, but we literally have projects that  
14 are there front of the Missouri Housing Development Commission.  
15 The staff has -- either has the final list worked up they're  
16 very close to having a final list worked up that the commission  
17 is going to vote on in January. And staff had underwritten that  
18 with the assumption that they -- without any assumption of a  
19 reduction in credits. So my point is, if you tried to reduce  
20 the credits, first of all, I don't think anybody would try to do  
21 it, but if you tried to do it in January before the legislature  
22 ever acts, all of those projects have been underwritten with the  
23 assumption that you got a matching state and federal credit.  
24 And it would just create an unbelievable disaster at the  
25 commission level, trying to approve these projects.

0070

1 CO-CHAIRMAN GROSS: Okay, discussion on the motion?  
2 Mark, I thought, this is Chuck, I thought our report in 2010  
3 basically what we were saying in that one and this one, you've  
4 got to have some point where you cut these things off.

5 MR. GARDNER: Right.

6 CO-CHAIRMAN GROSS: My concern is that we're opening  
7 up this to a really, obviously an extremely early, at the very  
8 beginning, so that if they just have an application in, then  
9 they're grandfathered. That's the way I see it, Steven?

10 CO-CHAIRMAN STOGEL: Just so everybody understands the  
11 issue. The December 14 MHDC hearing where the 2012 awards were  
12 to be handed out, and I do not have any as a developer, any  
13 applications in for Missouri credits or even as a consultant  
14 now, have -- were ready to be announced. The commission delayed  
15 it's entire hearing and the handing out of the 2012 awards for  
16 the report of our commission.

17 So, doing this allowed -- Mark's concern in his note  
18 from yesterday was if the recommendation for not \$132 million or  
19 nine percent matching credits to federal credits for Missouri  
20 LITECH were reduced to \$115, \$17 million and MHDC followed the  
21 recommendation of this commission. Precisely that would be --  
22 even before the legislature acted, then there would be maybe  
23 unintended harm to applications that would have otherwise been  
24 approved, had the commission not just voted to lower the cap.  
25 This is a fairness issue in Mark's mind, it's --

0071

1 MR. GARDNER: The applications were submitted last  
2 September.

3 CO-CHAIRMAN STOGEL: Because the unexpected new fact  
4 was the December hearing and award date was moved back to we  
5 all -- that doesn't mean that MHDC will act in January, nor does  
6 anybody know except MHDC staff what amount they were going to

award anyway. So Mark is concerned that MHDC listened to this report as it has on other matters, and goes back and starts modifying some of it's own internal calculations which may affect some awards for some people who have spent time, effort and money to submit applications.

So the line of division, is that explanation is careful enough, clear enough is whether the \$115 million cap and the alternate five year program should await legislative input, and not affect the 2012 round and be deemed to be a recommendation for 2013 going forward, or would take immediate effect. That's -- I'm trying to clarify the issue. Senator?

CO-CHAIRMAN GROSS: Further discussion?

(No response)

CO-CHAIRMAN GROSS: Hearing none. All in favor say aye.

(Aye)

CO-CHAIRMAN GROSS: Opposed no? The ayes have it, the motion is adopted.

Mark where we going now?

MR. GARDNER: Okay, we have another -- we'll go to number one, which is again an idea of Mr. Van Matres which actually, Craig if you wouldn't mind, why don't you make the motion.

MR. VAN MATRE: This may or may not BE something that you all consider to be jurisdictional, given the charge of the commission, but there is a large overhang of foreclosed upon property still in Missouri, primarily in the metropolitan areas, but Audrain County has quite a few and lots of other towns do.

Rather than build new low income housing projects from scratch, if there were some way to utilized the foreclosed upon properties for the purpose of low income housing, it seems to me that that would be the best thing the state could do for the economy, because it would keep neighborhoods from deteriorating, keep houses from becoming crime spots, prop up values within neighborhoods so that the people who have -- the people that continue to own or occupy don't lose value in their homes because of the decline and value of other houses in the neighborhood, and all of that values of homes, just as the recession we're still coming out of was caused by a substantial decline in home prices and home mortgage bubbles and so on, soaring up that market in Missouri would do a lot for the state's economy as a whole.

So the idea would be to divert for three years some of the tax credit money that otherwise would be awardable for both

historic rehab and for low income housing tax credits and use that money in a similar fashion with a new credit for people who buy foreclosed upon properties, convert them to the same purposes as that for which low income housing tax credit property is used. The same type of criteria, and hopefully achieve a number of salutary results for the state.

So that's the proposal, and the numbers that we thought would be appropriate would be take \$30 million out of the low income housing tax credit pool, \$30 million out of historic rehab, and it would be a temporary diversion from rehab, but high for this instead of new low income housing projects.

CO-CHAIRMAN GROSS: As far as the motion goes, so we know what's before us, your motion is to adopt recommendation number one from your committee?

MR. GARDNER: Yes.

CO-CHAIRMAN GROSS: And that is available and can be

18 included in the record by the court reporter or Sallie. Do we  
19 have a second of that motion? Anybody. No second? Who was  
20 that please?

21 MR. FLOOK: Second.

22 CO-CHAIRMAN GROSS: Thank you, Mr. Flook, Tim.

23 Discussion on the motion? Steven?

24 CO-CHAIRMAN STOGEL: It's an interesting idea Craig,  
25 we just took on the 2012 applications? One way to -- the

0074

1 commission could redirect this inquiry is ask MHDC to amend it's  
2 qualified allocation plan by which it directs developers in  
3 communities and non-profits to focus in on this as an award  
4 priority. Years back they decided that restoration projects  
5 would be better than new construction, and from time to time the  
6 qualified allocation process, which is a very public thing gets  
7 reviewed, and the notion of going after shadow homes that are in  
8 foreclosure, nobody would respond to that prioritization better  
9 than developers. And although using tax credits on scattered  
10 housing is difficult, MHDC might well welcome that as a -- for  
11 two years as a prioritization to soak up the inventory being  
12 going back to normal.

13 If the people on the commission think it's a good  
14 idea, the route may be best through MHDC to modify the qualified  
15 allocation plan.

16 MR. VAN MATRE: Well, assuming that's the proposed  
17 amendment to my motion, I hereby accept that amendment.

18 MR. GARDNER: Mr. Chairman, I have a comment. This is  
19 Mark Gardner. I think -- and maybe I didn't understand what you  
20 articulated today Craig, but yesterday the motion was that the  
21 \$60 million dollar program would be funded by taking \$30 million  
22 out of the \$90 million historic cap and then taking \$30 million  
23 out of the \$60 million that we're saving by reducing the LITECH  
24 cap.

25 CO-CHAIRMAN STOGEL: Let me see -- this is Steven.

0075

1 What I'm saying Craig is in lieu of your motion, I think this is  
2 an MHDC issue, point one. Point two is I think it's beyond the  
3 jurisdiction of the commission to suggest to the legislature  
4 where the savings that might get voted out of the commission go.  
5 So I think it's a great idea going after shadow housing, but I  
6 would -- I'm not going to support the notion of telling the  
7 legislature where credits for savings should go.

8 CO-CHAIRMAN GROSS: Any more comments?

9 MR. REEVES: Yeah, Mr. Chairman, this is Tom Reeves.  
10 I think certainly from the historic tax credit committee  
11 standpoint, there was a lot of very hard work and I think teeth  
12 grinding as it relates to even proposing the cap that we're  
13 putting forward, and I think at this late stage it would be a  
14 very difficult pill to move \$30 million right off the top there.  
15 So I'm going to have a hard time supporting that one from a  
16 historic standpoint.

17 MR. GARDNER: Well, I'm not interested in seeing my  
18 motion go down in flames because of that, so maybe the best  
19 thing to do is to break it into two parts. One is the concept  
20 itself, and two is the funding, and rate them separately.

21 MR. REEVES: Yeah, I like the concept, just in  
22 fairness to the work that went into what the historic folks came  
23 up with, I think it's a difficult pill.

24 CO-CHAIRMAN GROSS: So Craig, your motion is to divide  
25 the question in two parts. The first one being, please state

0076

1 that, Craig.

2 MR. VAN MATRE: The idea of using the foreclosed upon

3 or shadow housing as a substitute for low income housing tax  
4 credit projects.

5 CO-CHAIRMAN GROSS: Okay, actually, I was a little bit  
6 ahead of myself. First motion to be whether or not to divide  
7 the question. All in favor of that motion say aye.

8 (Aye)

9 CO-CHAIRMAN GROSS: Okay. Now we can divide it. Now  
10 please restate that again real quick, part one.

11 MR. VAN MATRE: Part one would be that the alternate  
12 low income housing tax credit utilization process would be  
13 utilizing foreclosed upon shadow housing in lieu of a new  
14 project with the same criteria, or occupants.

15 CO-CHAIRMAN GROSS: Okay. That's the motion. Do we  
16 have a second?

17 CO-CHAIRMAN STOGEL: Second the motion with the  
18 recommendation of the commission to MHDC to go after shadow  
19 housing as a priority in the qualified allocation plan, but stay  
20 within the cap as what -- as it's finally determined to be.

21 CO-CHAIRMAN GROSS: Craig, do you accept that  
22 amendment?

23 MR. VAN MATRE: The latter part about the cap, again,  
24 if we're going to stick to the legislature how to fund it, I  
25 don't see why we would necessarily tie any kind of cap with

0077 1 that.

2 CO-CHAIRMAN STOGEL: I'm trying to simply say that if  
3 the thought process is that shadow housing is a real problem,  
4 but it may offer an avenue to more effective costs per unit, we  
5 think it's a good idea that MHDC look at it and maybe modify the  
6 qualified allocation plan. That's the theme of the first  
7 motion. The second motion, I would support that one. The  
8 second motion should some of the quote savings, from some of the  
9 reductions from any and all of the programs here be reallocated  
10 to this particular purpose, and I'm going to vote no on that  
11 second portion.

12 CO-CHAIRMAN GROSS: The motion on the table is part  
13 one. Further discussion?

14 MR. GARDNER: Yeah, I think we have to be really,  
15 really careful here. I told Craig in the meeting, I like the  
16 idea conceptually. I think it needs more study, there needs to  
17 be a plan. If we give MHDC a directive go after shadow housing,  
18 it could turn out to be a horrible idea, because what we may  
19 find is that we got these houses scattered all over the places  
20 in bad neighborhoods and in places where MHDC would never want  
21 to do a project.

22 So at most I think what we want to say to MHDC is we  
23 recommend that you consider buying some of the shadow housing  
24 and consider doing it. Quite frankly, they've already done it,  
25 they've considered it. They're talking about it all the time.

0078 1 Bank of America approached the city of Kansas City, tried to  
2 dump a bunch of trash own then, and said here, how about we give  
3 you a lot of foreclosed properties we've got, the ones that we  
4 can't resell, and you can turn them into low income housing. I  
5 mean, you know, there are going to be many variations of how do  
6 we use shadow housing. How do we -- is it a good idea for MHDC  
7 to do it. It's not something they haven't thought about.

8 Now, I don't have any problem with us as a commission  
9 telling them to continue thinking about it, but I want to be  
10 careful that they don't view it as a directive or we'll end up  
11 with something like the \$200,000 target limit that we're then  
12 back trying to figure out, well, how the hell did that happen,  
13 and what to do with that. We have a target limit of \$200,000



that's the same in St. Louis as it is in Kirksville, Missouri. It doesn't make sense. I don't want to get into that situation.

CO-CHAIRMAN GROSS: Okay. Any further discussion? I'm going to pose the motion by acknowledging that we did establish or recommend a new credit in 2010, the angel tax credit which I was opposed to. That was being funded by the savings from the recommendation of eliminating the film tax credit. I still think it's beyond the scope, I'll oppose it, but we'll have a vote unless there's further discussion.

(No response)

CO-CHAIRMAN GROSS: All in favor of the motion on part

one say aye.

(Aye)

CO-CHAIRMAN GROSS: All opposed say no.

(No)

CO-CHAIRMAN GROSS: The noes appear to have it. The noes have it, part one is defeated.

Part two, there's no reason for part two. So that one will die on it's own.

Mark, where we going now, number four?

MR. GARDNER: We go to number four, which is the last one, and I'll provide a little background here.

I think it was last year, prior to last year, St. Louis and Kansas City were subject to Davis Bacon, which I call prevailing wage and I think that's commonly known as prevailing wage to everyone, and that's never been an issue with MHDC or with developers because prevailing wage in St. Louis and Kansas City is pretty much prevailing wage. There's no real distinction between what Davis Bacon provides and what the real wages are.

What happened is, what's called the QAP, qualified allocation plan which is basically the rule book which developers have to go by was changed and it made -- it required that developers pay prevailing wage under Davis Bacon everywhere in the state of Missouri.

Now, here's the problem. In outstate Missouri,

outstate Missouri is essentially nonunion. Very, very few unions. So the contractors in outstate Missouri don't report, there are forms which contractors are supposed to report to the Department of Labor what they're paying for certain work. If they're paying a bricklayer \$15 an hour you're supposed to report it. Well, the contractors know that this goes in to help form the Davis Bacon wage guidelines, but it doesn't impact them, because they're in outstate Missouri, they don't fill them out. What happened is then right before we started all this building this year, the Department of Labor came out and started changing, I mean the prevailing wage for Aurora used to be \$15 per brick layer. It went from \$15 to \$40 overnight, because they didn't have any good prevailing wage data from Aurora. And apparently, I don't know the process that we tried to find out the process, by apparently they took numbers from St. Louis.

In some instances, in Aurora, Missouri or Kirksville or Hannibal, you're paying more than what you're paying in Kansas City and paying as much as you're paying in St. Louis.

Now, that's a situation where maybe it was a great intent, yeah, we need to be paying fair wages, but I don't think anybody anticipated the consequences. And the consequences are if you go to Aurora, Missouri, or Kirksville, Missouri or Hannibal, Missouri, you'll have two guys working across the street from each other. One will be a sheet metal worker making

25 \$50 an hour and one will be a sheet metal worker making \$15 an  
0081

1 hour. And the feedback you get is it makes our program look  
2 wasteful and inefficient, and quite frankly, it exposes us I  
3 think to a lot of criticism in the legislature, because we're  
4 out there spending \$50 an hour, and we don't need to spend \$50  
5 an hour. It's driving up the cost of housing and it's reducing  
6 the number of units. We're supposed to be finding ways to make  
7 our program more efficient. Well, we just made it really less  
8 efficient. We're supposed to be trying to find a way to make  
9 more units, not less units. We just cut the number of units we  
10 can do in outstate Missouri by probably 20 percent by doing  
11 that.

12 So what I'm trying to do, is say let's suspend Davis  
13 Bacon in outstate Missouri for two years. Make the developers  
14 who are awarded projects report their data to MHDC, what they're  
15 paying every employee, what the subs are paying, what everybody  
16 is paying, so MHDC can collect a database and determine what a  
17 fair and reasonable wage is over that two year period. Once  
18 MHDC has the data, then they can implement MHDC supervised fair  
19 wage for outstate Missouri, because quite frankly, you're not  
20 going to get that -- that data is not going to exist from the  
21 Department of Labor. It just doesn't.

22 CO-CHAIRMAN GROSS: Mark, to make sure we have the  
23 right business in front of us. The recommendation from your  
24 committee as amended by Craig was whether or not, I'm sorry.  
25 Was that the commission take up the question of whether the

0082  
1 issue of prevailing wage and Davis Bacon was within the purview  
2 of the commission or not. So are you changing that and giving  
3 us a different?

4 MR. GARDNER: We actually had two motions. We had my  
5 motion which was that the commission take it up, and then  
6 Mr. Van Matre amended the motion or separate motion, says here  
7 it was an amended motion, to take up the question of whether the  
8 issue was within the purview of a commission. So I guess you  
9 have a threshold issue, which is, is this within the  
10 jurisdiction of the commission. I guess that's the threshold  
11 issue.

12 I think it's almost more of a constitutional challenge  
13 than it really is a motion. I mean, it's not advocating  
14 anything other than we consider we have the jurisdiction  
15 authority to take this matter up.

16 CO-CHAIRMAN GROSS: I'm just saying I need a motion, I  
17 don't know what it is right now.

18 UNKNOWN: Can we have comment on it?

19 CO-CHAIRMAN GROSS: We will have comment, I'm trying  
20 to get a motion on the table right now. What is your motion  
21 Mark?

22 MR. GARDNER: Okay, well, my motion is that -- and I'm  
23 going to make a different motion than what was actually taken  
24 down in item four. My motion is that MHDC be -- that it be  
25 suggested to MHDC that they suspend Davis Bacon in outstate

0083  
1 Missouri, not St. Louis or Kansas City, but in outstate Missouri  
2 for a period of two years until they can collect accurate data  
3 from the contractors who do work for MHDC, develop their own  
4 database, and then enact for the 2015 round a fair wage  
5 guideline for developers to pay for work performed in outstate  
6 Missouri.

7 CO-CHAIRMAN GROSS: Okay. I'm going to repeat the  
8 motion, then we can ask for a second. The motion is to  
9 recommend that MHDC suspend Davis Bacon in outstate Missouri for

10 two years to get wage data. Is that close enough, Mark?  
 11 MR. GARDNER: Yes.  
 12 CO-CHAIRMAN GROSS: And do we have a second to that  
 13 motion?  
 14 CO-CHAIRMAN STOGEL: Second for purpose of discussion.  
 15 CO-CHAIRMAN GROSS: Steven has seconded for the  
 16 purpose of discussion. Steven?  
 17 CO-CHAIRMAN STOGEL: I think the threshold question  
 18 Mark, does this commission have jurisdiction over this issue  
 19 knowing that increased cost of construction wages decreases the  
 20 number of units that can be produced.  
 21 MR. GARDNER: Absolutely we have jurisdiction over it.  
 22 There was never a question in my mind we have jurisdiction over  
 23 it. It's not just one issue, it's two. We're supposed to be  
 24 looking at how can we make the program more efficient. This  
 25 deals directly with efficiency. How can we build more units.  
 0084  
 1 This deals directly with how we can build more units in outstate  
 2 Missouri.  
 3 We just got, the number of units we can build in  
 4 outstate Missouri just went down 20 percent, maybe more,  
 5 directly because of this. And let me explain. This isn't an  
 6 anti-union position, what this is is I just want it to be fair.  
 7 I mean, I think the wages ought to be fair, but if they're so  
 8 inflated for some of these outstate areas, it's -- there's no  
 9 benefit to it. It's just hurting the program. It's hurting the  
 10 image of the program, for one thing --  
 11 CO-CHAIRMAN GROSS: Mark?  
 12 MR. GARDNER: Yes.  
 13 CO-CHAIRMAN GROSS: I think we have somebody else  
 14 who's been trying to get in. If you wouldn't mind letting them  
 15 talk for a second.  
 16 MR. GARDNER: Okay.  
 17 CO-CHAIRMAN GROSS: Who was trying to get in?  
 18 MR. ZIMMERMAN: David Zimmerman. I would like to  
 19 comment on it.  
 20 CO-CHAIRMAN GROSS: Proceed.  
 21 MR. ZIMMERMAN: The commission can make a  
 22 recommendation all it wants, but the commission nor the  
 23 legislative body in the state of Missouri has no authority to  
 24 supercede federal law, and the procedures are in place right now  
 25 for the contracting body and contractors to provide these  
 0085  
 1 records and have accurate wage records in those areas and that,  
 2 but they're not doing it because they're not complying with  
 3 them, and the contracting bodies are the ones at fault if this  
 4 situation has arisen in an area, because it's their duty by law  
 5 to collect these things and make sure that all the state laws  
 6 and federal laws are being complied with and that's not being  
 7 done on a regular basis.  
 8 And I repeat, this commission nor the legislative body  
 9 in the state of Missouri has the authority to supercede federal  
 10 law.  
 11 CO-CHAIRMAN GROSS: Thank you, David. This is Chuck.  
 12 My opinion, but I need to make sure both the lawyer and David  
 13 and anybody else wants to comment on this, my opinion or belief  
 14 was that Davis Bacon was federal law, Missouri also has a  
 15 prevailing wage law. They're not exactly the same. I know in  
 16 the county we have some projects that fall under Davis Bacon,  
 17 and most of those also fall under Missouri prevailing wage, but  
 18 we have some that do not fall under Missouri Davis Bacon but do  
 19 fall under Missouri wage, of the prevailing wage. David, is  
 20 that correct?

21 MR. KENDRICK: That's correct.  
 22 CO-CHAIRMAN GROSS: Mark, I'm sorry, I'm going to  
 23 oppose the motion. Any other discussion?  
 24 (No response)  
 25 CO-CHAIRMAN GROSS: Other discussion?  
 0086  
 1 (No response)  
 2 CO-CHAIRMAN GROSS: Hearing none. All in favor of the  
 3 motion say aye.  
 4 (Aye)  
 5 CO-CHAIRMAN GROSS: Opposed say no.  
 6 (No)  
 7 CO-CHAIRMAN GROSS: The noes have it. The motion is  
 8 defeated. That is the report, correct Mark?  
 9 MR. GARDNER: I'm sorry?  
 10 CO-CHAIRMAN GROSS: That ends your report, correct?  
 11 MR. GARDNER: Yeah, that ends my report.  
 12 CO-CHAIRMAN GROSS: I really appreciate your work on  
 13 that.  
 14 MR. GARDNER: I will tell you though, just as a  
 15 statement of fact, when we get to the legislature, I mean, you  
 16 know, it's already common knowledge in the legislature that this  
 17 problem exists, and I mean, we can duck it here, which I guess  
 18 we're going to, but maybe we didn't duck it, but it's going to  
 19 come back up. We're going to have to deal it with?  
 20 UNKNOWN: Mark, we're talking about two different  
 21 issue. Davis Bacon is federal, prevailing wage is state. Two  
 22 completely different issues?  
 23 CO-CHAIRMAN GROSS: Let's move on, if we could.  
 24 MR. GARDNER: Let's move on.  
 25 CO-CHAIRMAN GROSS: We have two more committees, three  
 0087  
 1 more committees to report in. Banking and insurance is next on  
 2 the list.  
 3 MR. REEVES: Okay. This is Tom Reeves. There's a  
 4 fairly succinct report that's in everybody's book and we had a  
 5 quorum of the subcommittee for our meeting on November 15 in St.  
 6 Louis and statewide phone conference. With a quorum of voting  
 7 members and recommended no changes to our 2010 report on the  
 8 credits. I'm happy to go through them or talk -- answer any  
 9 questions that anybody might have. The majority of those  
 10 credits we felt were outside the purview of our committee,  
 11 because they either dealt with federal relationship issues that  
 12 Missouri has with the rest of number of most of the other  
 13 states, in the case of insurance tax credits, and in other cases  
 14 where really the legislative attempts to fix the Missouri's tax  
 15 law and some inequities that were perceived to be there.  
 16 The only other credits that we also reaffirmed was to  
 17 terminate the self employee health insurance tax credit, because  
 18 we felt that the benefits there were, in essence, backwards, and  
 19 they basically benefitted those who could afford the most versus  
 20 the other way around, so we stand by our 2010 recommendations.  
 21 CO-CHAIRMAN GROSS: So your motion is to readopt the  
 22 2010 recommendations in whole?  
 23 MR. REEVES: Yes.  
 24 CO-CHAIRMAN GROSS: Do we have a second on that  
 25 motion?  
 0088  
 1 MR. VAN MATRE: Van Matre second.  
 2 CO-CHAIRMAN GROSS: Thank you Craig. Discussion on  
 3 the motion?  
 4 (No response)  
 5 CO-CHAIRMAN GROSS: Hearing none. All in favor of the

6 motion say aye.  
7 (Aye)  
8 CO-CHAIRMAN GROSS: Opposed say no.  
9 (No response)  
10 CO-CHAIRMAN GROSS: The ayes have it. Motion adopted.  
11 Next on our list is historic. Tom?  
12 MR. REEVES: Okay. We had various recommendations, we  
13 have a supplemental report that I think everybody has in their  
14 packet, and I guess I can kind of step through page by page if  
15 that's probably the easiest for each person. We can either do  
16 this as a whole or individually.  
17 CO-CHAIRMAN GROSS: Tom again, I'm hindered by my slow  
18 computer. How many recommendations were there from your  
19 committee? New recommendations?  
20 MR. REEVES: There were four or five substantive, and  
21 somewhat I'll call clarifications and housekeeping as it relates  
22 to administration. Some relating to statutory recommendation,  
23 other relating to just recommendations directly for  
24 administrative purposes.  
25 CO-CHAIRMAN GROSS: Was there any part of your  
0089 committee's -- I'm sorry, quick question again. You did have a  
1 quorum, yes?  
2 MR. REEVES: Yes, we did.  
3 CO-CHAIRMAN GROSS: Was there any part of your  
4 committee report that reaffirmed any portion of the 2010 report?  
5 MR. REEVES: Various pieces stood. We actually took  
6 it in the form of a red line version of the 2010 report, and  
7 updated it, and brought some of the numbers forward, but we did  
8 modify certain aspects, and other aspects were there.  
9 CO-CHAIRMAN GROSS: Would it be correct to say that we  
10 could first have a motion to adopt, readopt the 2010 report with  
11 the following changes, and those would be those individual  
12 recommendations that you'll then bring to the commission?  
13 MR. ZIMMERMAN: Second.  
14 CO-CHAIRMAN GROSS: Is that okay to say, Tom? Is that  
15 your motion?  
16 MR. REEVES: Yes. That would be it.  
17 CO-CHAIRMAN GROSS: I heard a second, who was that?  
18 MR. ZIMMERMAN: Dave Zimmerman.  
19 CO-CHAIRMAN GROSS: Thank you, Dave. That a motion  
20 and a second. Any discussion?  
21 MS. HEMENWAY: Chairman Gross?  
22 CO-CHAIRMAN GROSS: Yes, Sallie.  
23 MS. HEMENWAY: There will be a couple of items in  
24 paragraph that were changed that won't be reflected in the  
0090 numerical portion and you can't see the red line, so I'll have  
1 to point those out to you.  
2 CO-CHAIRMAN GROSS: Okay, that motion then is amended  
3 so that the wording, I'll call them wording, the variations  
4 within the report that were changed by the committee will be  
5 brought forth, either by Tom or staff and we'll vote on those  
6 individually. That's the amended motion. Is that okay Sallie?  
7 MS. HEMENWAY: Yes.  
8 CO-CHAIRMAN GROSS: So we still have a motion, if that  
9 second is still okay, all in favor of the motion say aye.  
10 (Aye)  
11 CO-CHAIRMAN GROSS: Opposed say no.  
12 (No response)  
13 CO-CHAIRMAN GROSS: Okay. So now we've dealt with  
14 that part? And then Tom if you could bring forward -- I tell  
15 you what, Tom you want Sallie to bring out those redlined items  
16

17 first or last?

18 MR. REEVES: Sallie, what do you think is the easiest  
19 thing. I can walk through the supplemental report, which I  
20 assume everybody has in front of them and just point out  
21 changes, or we can go the other way.

22 MS. HEMENWAY: I think there's -- I'll just quickly do  
23 this in terms of just as an identifying feature, because as Tom  
24 said, this report is actually the product of the 2010 report  
25 with modifications incorporated and recommendations added onto

0091

1 the end. So let me really quickly run through the modifications  
2 of the report, just so you know.

3 On the -- the report is paged, so I'm talking about  
4 page two, because the first page is actually the cover. We  
5 added at the request of the committee the 2009 authorized issue  
6 and redeemed, that's the only change from the 2010 report on  
7 that page.

8 On page 3, there's no change. On page 4 there's an  
9 addition of a column known as an endorsement, and that  
10 endorsement came in the form of the endorsement of the decision  
11 of the global issues committee to eliminate sunset provisions  
12 from all tax credit programs, historic preservations tax credit,  
13 requires there's a certainty on behalf of developers, investors  
14 and lenders due to a long lead time necessary to acquire finance  
15 and develop projects benefitting from the program.

16 And then, what I think I should do is let Tom as he  
17 goes through the recommendations, I will also point out changes  
18 that are from the original report.

19 CO-CHAIRMAN GROSS: Okay.

20 MR. REEVES: All right. Continuing on, the  
21 recommendations, the first one is a change and in the 2010  
22 report, it was recommended that the \$140 million cap that was in  
23 existence at the time and is in existence be reduced to 75. In  
24 this report, we took that back to the \$90 million cap effective  
25 July 1, 2013.

0092

1 Number two is basically the same as we had in the 2010  
2 report, but basically what that does is provide for transition  
3 rules under the governors mandate that we do no harm to those  
4 projects that were in process or nearly to the end so that  
5 nobody really got caught in these changes to their detriment,  
6 and we obviously kept those, because those are very good to  
7 have.

8 Number three, I actually saw that as I was coming down  
9 here, I'm out of town, and was not quite sure what we were  
10 meaning by that, why it was December as opposed to July 1.

11 UNKNOWN: The 2010 report was geared off of July 1, on  
12 not December 31.

13 MR. REEVES: Right, right. The calendar year for the  
14 state is really what we've always aimed at.

15 UNKNOWN: I think in the 2010 report we were doing it  
16 on a fiscal basis, but I defer to Sallie.

17 MS. HEMENWAY: In number two, Tom.

18 MR. REEVES: Yes.

19 MS. HEMENWAY: The reference is --

20 MR. REEVES: Oh, I see, okay, submitted applications.

21 MS. HEMENWAY: Right, the submitted applications. So  
22 basically what they were trying to do was match up the submitted  
23 application through the applicability of the new cap.

24 MR. REEVES: Right. So that is consistent. That was  
25 a consistent edit.

0093

1 Number four, the committee recommended that the

individual, and this is one that I think may have also fallen out, but the committee recommends that individual tax credits on residential non-income producing properties, I believe we said would be increased to \$100,000 from the \$50 that was in the 2010 report, and further limited to an original purchase price of \$250,000 instead of the 2010 recommendation of \$150.

So, these are on the individual residential non-income producing properties, and the recommendation was to slightly increase the tax credits allowed per project and also slightly increase the size of the property that would qualify for this.

The fifth recommendation was that the committee recommended that the general assembly prohibit stacking of historic tax credit which neighborhood preservation tax credits, that was not a change.

And the next number six, takes us back basically takes adds back, we had prohibited stacking which was consistent with the low income tax credit subcommittee in the 2010 report, stacking state historic tax credits with the federal low income tax credits, and in this report, we are recommending that that be reaffirmed and allowed, however, the percentage of QRES that would be allowed would be reduced from 25 percent to 15 percent in those cases where they were stacked.

Number 7.

CO-CHAIRMAN GROSS: We're just letting you run through the recommendations now, then we can go back.

MR. REEVES: Number 7 I don't think was a change unless there was one or two slight word clarifications to it, and it basically said what should be obvious is that is that the tax credits are not awarded on expenses that aren't paid. Then we clarified the fact that the developer fee does have a longer payment time but must be paid within the six year period, which right now administratively is how it works, but we really wanted to reaffirm the fact that when tax credits are issued, they are against all expenses that are, in fact, paid, not accrued into perpetuity.

MS. HEMENWAY: Tom?

MR. REEVES: Yes.

MS. HEMENWAY: On number 7 it actually -- there is a change, because the previous report provided the commission has decided at that time to not allow any accrual which is different from state law, but it was the 2010 committee recommendation and now the 2012 committee recommendation to allow accruals on a six year basis.

MR. REEVES: On just the developer?

MS. HEMENWAY: On just the developer fee, yes.

MR. REEVES: Okay, number 8, these are basically several A, B and C are administrative efficiencies, which basically are directed at the Department of Economic Development to acknowledge the work that they've done to help

streamline this process and also help clarify procedures as they relate.

CO-CHAIRMAN GROSS: This is Chuck, A is not administrative, that's a very significant change, isn't it, from the 2010 report where we did not even acknowledge small projects.

MR. REEVES: That actually was in there? Wasn't it sallie?

MS. HEMENWAY: Yes, that was in there.

MR. REEVES: Yeah, I didn't bring my redline with me, I brought the new, the new one. That actually was in there, and was actually outside of the cap, so those are exempt from the

cap and has been a very successful.

CO-CHAIRMAN GROSS: We'll get to it later, sorry.

MR. REEVES: And B is basically helping better certainty and payment from the development community as it relates to some of these projects and is basically what we call a 75, 25 rule where 75 percent of those tax credits are fairly -- they're on a fairly good conveyer belt as certain documentation is submitted, and there's really the 25 percent what I'll call a catch up reconciliation amount at the end just to make sure that everything ends up where it should be. It's fairly similar to the Brownfields where there's always a holdback, but in this case it's not an official holdback per se, but it adds a lot more certainty to the payment structure as it

relates to the longer projects and some of the smaller ones.

And C, Sallie on the redline on that one?

MS. HEMENWAY: This is language that the development community wanted to bring forward to request again of the Department of Economic Development that we match up --

MR. REEVES: The federal definition.

MS. HEMENWAY: The federal definitions as the baseline, and that but, but to allow the Development of Economic Development the final decision in terms of requiring continuing auditing and verifying qualifying expenses. It is an administrative recommendation from the committee.

MR. REEVES: Okay. And then the next subparagraphs all fall under recommendations that were made, and these are statutory changes that would be recommended. And the first one basically tries to -- or basically aligns recommends aligning more clearly the state and the federal definitions in phased projects, because that becomes a little bit murky and there is differences in today's world but aligning federal and state definitions where possible is really a positive for both sides, both for the state and for the development community.

B overtly recommends approval of 501C-3 only nonprofit organizations be eligible for historic tax credits if they're a one percent or less general partner. This will help streamline and uncomplicate a process which really will facilitate nonprofits, 501C-3s from getting involved in these projects,

which they do now, but there is a lot of complexity and legal gymnastics that many times has to occur. This will help that immensely.

On C, some was on that last report, I'm looking for if there's any red lines on this one here, but again these are administrative issues.

CO-CHAIRMAN GROSS: Okay. So those are your recommendations, right?

MR. REEVES: Yes. I'm looking at the rest of them, and they all really fall under clarifications and administrative.

CO-CHAIRMAN GROSS: Did we miss anything Sallie that needs to be on the table for the motion?

MS. HEMENWAY: The only substantive one that is E, a formal and public appeals process should be established for applicants who submissions at any stage have been officially denied by either the Department of Economic Development or the state historic preservation office. Such appeals should be heard by parties not involved in the original denial.

CO-CHAIRMAN GROSS: But that was part of Tom's motion.

MS. HEMENWAY: Yes, it is.

CO-CHAIRMAN GROSS: We have a motion to adopt the



24 committee's report. Do we have a second for discussion?

25 CO-CHAIRMAN STOGEL: Second.

0098

1 CO-CHAIRMAN GROSS: Steven seconded that for  
2 discussion, and now we're open for discussion. I just have one  
3 question at this point, and that's back on the small project  
4 exemption. I'm looking at our commission report, and under the  
5 background, it talks about as of January, 2010 there's a program  
6 cap for \$70 million for projects receiving credits over \$275.

7 MS. HEMENWAY: Senator, I think that the issue is that  
8 that is current law.

9 CO-CHAIRMAN GROSS: Right agreed.

10 MS. HEMENWAY: You're asking the question about whether  
11 or not in the initial report, whether or not that was --

12 CO-CHAIRMAN GROSS: I'm asking if the commission made a  
13 recommendation in 2010.

14 MS. HEMENWAY: Yes. On the original 2010 report, on  
15 the bottom of page 33, any project other than the owner occupied  
16 residence or projects receiving less than \$275 dollar in credits  
17 are completely exempt from the program cap.

18 MR. REEVES: This was a clarification since we changed  
19 the cap above, we just wanted to reemphasize that these projects  
20 should continue to be excluded from the cap, as it is under  
21 state law. Just acknowledge that.

22 CO-CHAIRMAN GROSS: Okay, I'm just saying that that  
23 statement you just made Sallie, I'm sorry, I just got to be  
24 clear on this. The statement you just made, any projects other  
25 than these owner occupied residential projects receiving less

0099

1 than \$275 dollar in tax credits are completely exempt from the  
2 project caps, right?

3 MS. HEMENWAY: That is -- I'm reading right from the  
4 2010.

5 CO-CHAIRMAN GROSS: Background, now, not under  
6 recommendations of committee. That's all I'm saying. Did you  
7 hear what I said? That's under recommendations -- I mean that's  
8 under background, not under recommendation of the commission, so  
9 if that was a commission recommendation, that's in the wrong  
10 part of the report. I just want to be clear, make sure we know  
11 what we're changing and what we're not.

12 MS. HEMENWAY: You're correct, it's not under the  
13 recommendations.

14 CO-CHAIRMAN GROSS: It's okay. So let's just make  
15 sure we would -- it's okay, we can move forward, I just want to  
16 be clear on what we're doing here. Other discussion?

17 MR. WOOD: Yes, Mr. Chairman, this is Mike Wood.

18 CO-CHAIRMAN GROSS: Hi Mike.

19 MR. WOOD: I'm not sure how you want to progress. I  
20 have a problem with the cap. I have a problem with the  
21 stacking. I don't know if you want me to make amendments to the  
22 motion or if we're going to go through these individually or if  
23 we just defeat his motion. This report as submitted is clearly  
24 a much larger program that we recommended the last time we met,  
25 and I don't think personally, I don't think it falls under the

0100

1 purview of let's try to make these more efficient and find some  
2 savings for state government. I don't think this report as  
3 submitted does that, but I don't know how you want me to go  
4 about trying to get it back down to those numbers.

5 CO-CHAIRMAN GROSS: I was waiting to see if there was  
6 going to be some dissension on the motion, and if there is, we  
7 want to divide the question on those different recommendations,  
8 we can do that. Is that what you're suggesting Mike?

MR. WOOD: Yeah, I would like to take each recommendation individually if we could.

CO-CHAIRMAN GROSS: Mike is making the motion to divide the question on each of those recommendations. They'd be taken up one at a time. Do we have a second on that motion?

MS. RECTOR: Penney Rector, second.

CO-CHAIRMAN: Thank you, Penney for the second. This is a motion to divide. All in favor of the motion say aye.

(Aye)

CO-CHAIRMAN GROSS: All opposed say no.

(No response)

CO-CHAIRMAN GROSS: Okay the question is divided and logically it will be by recommendations, so let's start with unless you object, you want to start with number one, or you got some other place you want to go, Tom.

MR. REEVES: Well, we might as well start with number one.

CO-CHAIRMAN GROSS: Okay.

MR. REEVES: Committee recommends the cap be \$90 million.

CO-CHAIRMAN GROSS: Okay. That was pretty straightforward. That's a -- will you make that in the form of a motion Tom?

MR. REEVES: Yeah, I'd like to make the motion that the 2010 report be amended to reflect a \$90 million cap for the historic tax credit.

CO-CHAIRMAN GROSS: Second?

MR. ZIMMERMAN: Second.

CO-CHAIRMAN GROSS: Who made that second?

MR. ZIMMERMAN: Dave Zimmerman.

CO-CHAIRMAN GROSS: Thank you, Dave. Discussion?

MR. WOOD: I'd like to amend that motion if I could, Mr. Chairman. This is Mike Wood.

CO-CHAIRMAN GROSS: Go ahead, Mike.

MR. WOOD: I would like the amend that to \$75 million a year, with no small project exemption.

CO-CHAIRMAN GROSS: And that is similar, is it not, to the 2010 report?

MR. WOOD: I believe, yes it is.

CO-CHAIRMAN GROSS: Okay. Everybody understands the motion. Do we have a second?

MS. RECTOR: Second, Penney Rector.

CO-CHAIRMAN GROSS: Okay. I think I heard Penney first. So Penney seconded that motion. That's an amendment to the motion to adopt a \$90 million cap. Discussion on the substitute motion?

(No response)

CO-CHAIRMAN GROSS: All right. So the motion on the table is a -- did you substitute or amend that motion, Mike?

MR. WOOD: I was amending it to make it a hard \$75 million cap with no small project exemption.

CO-CHAIRMAN GROSS: Very good. That's the amended motion then. All in favor of the motion say aye.

(Aye)

CO-CHAIRMAN GROSS: Opposed no.

(No)

CO-CHAIRMAN GROSS: Okay, the ayes appear to have it. would you like a roll call whoever said -- roll call it will be.

All right. The motion to amend and the motion is a \$75 million hard cap with no small project exemption, correct Mike?

20 MR. WOOD: That is correct.  
 21 CO-CHAIRMAN GROSS: Senator Justus yes or no?  
 22 (No response)  
 23 CO-CHAIRMAN GROSS: Absent. Senator Wright-Jones.  
 24 (No response)  
 25 CO-CHAIRMAN GROSS: Absent. Steven Stogel?  
 0103  
 1 CO-CHAIRMAN STOGEL: No.  
 2 CO-CHAIRMAN GROSS: Tim Flook?  
 3 (No response)  
 4 CO-CHAIRMAN GROSS: Absent. I'll call Sam Komo?  
 5 MR. KOMO: No.  
 6 CO-CHAIRMAN GROSS: Jim Anderson?  
 7 (No response)  
 8 CO-CHAIRMAN GROSS: We lost Jim. Zack Boyers?  
 9 (No response)  
 10 CO-CHAIRMAN GROSS: Absent. Mark Gardner?  
 11 MR. GARDNER: No.  
 12 CO-CHAIRMAN GROSS: Luana Gifford?  
 13 (No response)  
 14 CO-CHAIRMAN GROSS: Luana Gifford is absent. Bill  
 15 Hall? Bill Hall?  
 16 (No response)  
 17 CO-CHAIRMAN GROSS: Bill is absent. David Kendrick?  
 18 (No response)  
 19 CO-CHAIRMAN GROSS: David is absent. Pete Levi.  
 20 (No response)  
 21 CO-CHAIRMAN GROSS: Pete's absent. Alan Marble?  
 22 MR. MARBLE: Yes.  
 23 CO-CHAIRMAN GROSS: Troy Nash.  
 24 (No response)  
 25 CO-CHAIRMAN GROSS: Absent. Melissa Randol?  
 0104  
 1 MS. RANDOL: Yes.  
 2 CO-CHAIRMAN GROSS: Tom Reeves?  
 3 MR. REEVES: No.  
 4 CO-CHAIRMAN GROSS: I'm sorry Tom?  
 5 MR. REEVES: This is for \$75 million correct?  
 6 CO-CHAIRMAN GROSS: Yes.  
 7 MR. REEVES: I vote no on \$75 million.  
 8 CO-CHAIRMAN GROSS: Tom votes no. Penney Rector?  
 9 MS. RECTOR: Yes.  
 10 CO-CHAIRMAN GROSS: Russ Still?  
 11 (No response)  
 12 CO-CHAIRMAN GROSS: Absent. Craig Van Matre?  
 13 MR. VAN MATRE: Yes.  
 14 CO-CHAIRMAN GROSS: Ray Wagner?  
 15 (No response)  
 16 CO-CHAIRMAN GROSS: Absent. Shannon Weber?  
 17 MR. WEBER: No.  
 18 CO-CHAIRMAN GROSS: Mike Wood?  
 19 MR. WOOD: Yes.  
 20 CO-CHAIRMAN GROSS: David Zimmerman?  
 21 MR. ZIMMERMAN: No.  
 22 CO-CHAIRMAN GROSS: And I vote yes. Yeses are one,  
 23 two, three, four, five, I count six. The noes are one, two,  
 24 three, four, five, six. I count six, Jason do you concur?  
 25 MR. ZAMKUS: I concur Senator.  
 0105  
 1 CO-CHAIRMAN GROSS: The motion fails, and it's a six  
 2 six tie. We're back to motion for a \$90 million cap and any  
 3 further discussion on that motion?  
 4 CO-CHAIRMAN GROSS: This is \$90 million cap for a

5 small project the way the statute currently is written in the  
6 prior report.

7 CO-CHAIRMAN GROSS: And what is the cost of adding a  
8 small cap, Sallie?

9 MR. REEVES: The small project exemption which runs  
10 two thirds of the total project, is about \$10 to \$12 million a  
11 year.

12 MS. HEMENWAY: Correct.

13 MR. REEVES: And I would also say that this is a very,  
14 this is Tom Reeves, this is a very strong part of this program  
15 that is strong in every corner of the state, especially outstate  
16 Missouri. This is something that's very important to probably  
17 every community in the state, not just the urban environment.

18 CO-CHAIRMAN STOGEL: Tom, would you accept the motion  
19 to the \$90 million caps for projects over \$275,000 of credit be  
20 added with a cap of \$12 million dollars for the small projects.  
21 We're trying to put caps on both projects.

22 CO-CHAIRMAN GROSS: That was a question to Tom.

23 MR. REEVES: Yeah, no, I mean, I think we can live  
24 with that.

25 CO-CHAIRMAN GROSS: That would be -- Steve, Steve you

0106  
1 might want to do that on number 8-A where it says this  
2 calculation will exclude it from the calculations --

3 CO-CHAIRMAN STOGEL: I'll withdraw the request, but I  
4 will make it later.

5 CO-CHAIRMAN GROSS: So the motion before us is to  
6 adopt committee recommendation one which amends the 2010 report  
7 to change the cap from \$140 million to \$90 million whereas the  
8 2010 report was to \$75 million. Further discussion on the  
9 motion?

10 MR. VAN MATRE: Am I correct that, in fact, the  
11 utilization over the last three years has only been about \$90  
12 million a year?

13 CO-CHAIRMAN GROSS: I think that was Craig Van Matre.  
14 Who's got the answer?

15 MS. HEMENWAY: Yes, the authorization for FY '10 was  
16 \$99 million, FY '11 was \$82 million, FY '12 was \$98 million.

17 MR. REEVES: And this is Tom Reeves, just for further  
18 information, that was actually one of the reasons why the FY  
19 2009 statistics were added back to the report, because I think  
20 it's important to acknowledge that, you know, during that period  
21 the authorized 2011 issued 119, and I think what we're basically  
22 saying is we're recommended freezing the historic tax credit  
23 program at recessionary levels prior to -- or after what was a  
24 very robust number of several years issuance and authorization.

25 So that gives, I think, a little better perspective,

0107  
1 which is actually why we added the 2009 statistics back in.

2 CO-CHAIRMAN GROSS: Thanks Tom. This is Chuck. I  
3 think what I'm still hanging my hat on a little bit here is the  
4 2010 report at \$75 million and no small project exemption  
5 language, I didn't think there was anyway, and the reason I also  
6 recall that we settled on \$75 million, I thought anyway, that  
7 was that Missouri was number one, or some say number two, but I  
8 thought I heard number one in the country in historic tax credit  
9 caps, and that \$75, I'm getting myself a little confused here,  
10 \$75 was more in line with the rest of the country. Is that  
11 correct? Anybody's recollection, Sallie or Jason.

12 MR. VAN MATRE: That's my recollection, Senator, this  
13 is Van Matre.

14 CO-CHAIRMAN GROSS: I just thought that was part of  
15 what went into the \$75 million.

MR. VAN MATRE: I think we're very high on historic, and also very high on low income, and so increasing, for the 2010 report, it just seems to me that would be something that the legislature wouldn't regard as moving in the right direction.

CO-CHAIRMAN GROSS: Thank Craig. This is Chuck, I'll just say this and then shut up. I recognize I think the legislature, and if I'm way off on this Jason or Sallie or somebody correct me, but either I acknowledge I think the legislature seem to be circling around that \$90 million number,

that's just what I remember from memory, being in the halls a little bit, and that's fine, it doesn't mean that I think our recommendation needs to be that. They can lower our recommendation or raise it or whatever they want to do with it, so I'm going to stay somewhat independent from that thought myself. Further discussion? Steven has a comment.

CO-CHAIRMAN STOGEL: Jason, just looking at your legislative activity report pages 18, 19 and 20 the legislature has been, just so people have information \$75 million up to \$115, let me read this. So legislature \$75 to \$115 plus small projects.

CO-CHAIRMAN GROSS: That's so noted. Any further discussion? If not we'll go to the vote.

MS. HEMENWAY: Senator, I have a quick question, how many commissioners do we need on the call for a quorum?

CO-CHAIRMAN GROSS: Thirteen. Once the meeting starts, Jason, where we at?

MR. ZAMKUS: Senator?

CO-CHAIRMAN GROSS: Yes.

MR. ZAMKUS: Once the meeting has begun, you've established a quorum, I believe that you can continue to vote and allow the board to stay open, as long as -- to allow the other members to vote, as long as it wouldn't affect the outcome of the vote, subsequent to the adjournment of the committee.

CO-CHAIRMAN GROSS: So other members that may want to

vote can vote, but it cannot change the outcome, and you're saying we do not have to have a quorum to have that vote.

MR. ZAMKUS: Once you've established the quorum, I believe you can continue the meeting and vote.

CO-CHAIRMAN GROSS: Okay. We will continue then. We have a motion on the table and it's been seconded. Further discussion?

(No response)

CO-CHAIRMAN GROSS: All in favor of the motion say aye.

(Aye)

CO-CHAIRMAN GROSS: Opposed say no.

(No)

CO-CHAIRMAN GROSS: The noes appear to have it, unless there's a call for roll call. Steven has requested a roll call.

CO-CHAIRMAN STOGEL: Yes.

CO-CHAIRMAN GROSS: We'll call the role on the motion and this is to amend the 2010 report to take the cap from it's recommendation of \$75 to \$95 million. Senator Justus?

UNKNOWN: That's not the motion, the motion is to reduce the an annual cap from \$120 to \$90.

UNKNOWN: That's right. It changes the 2010 recommendations which currently are at \$140 to \$90.

UNKNOWN: The 2010 recommendation was not \$140, that's not right. The 2010 recommendation was \$75.

1 UNKNOWN: That's correct, but the current cap is \$140.  
2 CO-CHAIRMAN GROSS: Now, I'm looking at the  
3 committee's recommendation, and it says beginning July 1, 2013,  
4 historic cap be reduced from \$140 to \$90. I'd have to go back  
5 and look at the minutes to see what the motion was from you,  
6 Tom, do you recall what your original motion was?  
7 MR. REEVES: From the meeting where that came?  
8 CO-CHAIRMAN GROSS: No, no. Today.  
9 MR. REEVES: Yeah, my original motion was to reduce,  
10 to modify the 2010 report which at that time we recommended  
11 taking the cap from \$140 to \$75, and we recommended that we  
12 modify that \$75 back up to \$90.  
13 CO-CHAIRMAN GROSS: That's what I recall your motion  
14 being as well. So that's the motion on the table, and further  
15 discussion? Senator Justus?  
16 (No response)  
17 CO-CHAIRMAN GROSS: Senator Wright-Jones.  
18 (No response)  
19 CO-CHAIRMAN GROSS: Absent. Steven Stogel?  
20 CO-CHAIRMAN STOGEL: I'm going to vote for the motion.  
21 CO-CHAIRMAN GROSS: So it's aye. Tim Flook?  
22 (No response)  
23 CO-CHAIRMAN GROSS: Is absent. Sam Komo?  
24 MR. KOMO: Yes.  
25 CO-CHAIRMAN GROSS: Jim Anderson?  
0111  
1 (No response)  
2 CO-CHAIRMAN GROSS: Jim Anderson? Guess he dropped  
3 off. He's absent. Zack Boyers.  
4 (No response)  
5 CO-CHAIRMAN GROSS: Absent. Mark Gardner?  
6 MR. GARDNER: Yes.  
7 CO-CHAIRMAN GROSS: Luana Gifford?  
8 (No response)  
9 CO-CHAIRMAN GROSS: I guess she dropped off too. Bill  
10 Hall?  
11 MR. HALL: Yes.  
12 CO-CHAIRMAN GROSS: David Kendrick?  
13 (No response)  
14 CO-CHAIRMAN GROSS: Absent. Pete Levi?  
15 (No response)  
16 CO-CHAIRMAN GROSS: Absent. Alan Marble?  
17 MR. MARBLE: No.  
18 CO-CHAIRMAN GROSS: Troy Nash.  
19 (No response)  
20 CO-CHAIRMAN GROSS: Troy is absent. Melissa Randol?  
21 MS. RANDOL: No.  
22 CO-CHAIRMAN GROSS: Tom Reeves?  
23 MR. REEVES: Yes.  
24 CO-CHAIRMAN GROSS: Tom votes yes. Penney Rector?  
25 MS. RECTOR: No.  
0112  
1 CO-CHAIRMAN GROSS: Russ Still?  
2 (No response)  
3 CO-CHAIRMAN GROSS: Absent. Craig Van Matre?  
4 MR. VAN MATRE: No.  
5 CO-CHAIRMAN GROSS: Ray Wagner?  
6 MR. WAGNER: I just walked back in having gone, I have  
7 no idea what we're voting on right now, so I apologize. I'll  
8 abstain so that we'll have a quorum. What is it in a nutshell?  
9 CO-CHAIRMAN GROSS: If the commission is all right,  
10 I'll repeat the motion one time. The motion is -- I'll tell you  
11 what Tom, I'll let you do that, go ahead.

MR. REEVES: Yeah, this is Tom Reeves, Rat. Historic tax credit cap was the first bullet point. Our recommendation was to modify the 2010 report so that the cap -- the existing cap of 140 now be modified to \$90 million, the 2010 report had \$75 million.

CO-CHAIRMAN GROSS: I agree that's the motion on the table. Ray would you like to vote?

MR. WAGNER: I vote yes.

CO-CHAIRMAN GROSS: Shannon Weber?

MS. WEBER: Yes.

CO-CHAIRMAN GROSS: Mike Wood?

MR. WOOD: No.

CO-CHAIRMAN GROSS: David Zimmerman?

MR. ZIMMERMAN: Yes.

CO-CHAIRMAN GROSS: And I vote no. The yeses have one, two, three, four, five, six, seven, I have eight yeses. The noes are one, two, three, four, five, six. Jason, do you concur?

MS. HEMENWAY: I do.

MR. ZAMKUS: Yes, Senator.

CO-CHAIRMAN GROSS: Sallie and Jason both concur. So the motion passed 8 to 6.

Recommendation number two, right Tom?

MR. REEVES: Yes.

CO-CHAIRMAN GROSS: Proceed.

MR. REEVES: Are we going to do each one of these -- some of these actually are --

CO-CHAIRMAN GROSS: Do you want to make a motion to group some of them together?

MR. REEVES: Yeah, some of them are fairly similar to the 2010 report. I mean, what we did was rewrite some of these into this.

Sallie, unless you feel differently. I mean these are the do no harm provisions, and we updated some dates.

MS. HEMENWAY: The language is slightly different in that it doesn't have the thresholds that appear in the expenditure test of the transition in the 2012 report, so I don't know if you consider that substantive or not. You had to actually meet an expenditure test in the 2010 report.

UNKNOWN: All right, Tom, that was a major addition you had to meet the 15 percent of \$3 million test. That should go into -- we should do these one by one and add that to the test, that shows people are really invested.

MR. REEVES: Okay. I would make a motion that we approve number two and would accept a modification, if that's what you're asking.

UNKNOWN: Yes. The modification would be the same expenditure test so that people we know are invested as we wrote in the 2010 report. That expenditure test was three times the 1986 test imposed by congress when it modified the federal historic credit.

CO-CHAIRMAN GROSS: That's the motion, do we have a second?

MR. ZIMMERMAN: Second.

CO-CHAIRMAN GROSS: Who was that please?

MR. ZIMMERMAN: Dave Zimmerman.

CO-CHAIRMAN GROSS: Okay. Discussion on the motion. (No response)

CO-CHAIRMAN GROSS: Okay. All in favor say aye. (Aye)

CO-CHAIRMAN GROSS: The ayes have it. The motion is

23 adopted. Thank you number three.

24 MR. REEVES: Okay. This basically aligns with number  
25 two, the date of December 31. Subject -- which credit would be

0115  
1 subject to that new cap.

2 CO-CHAIRMAN GROSS: Okay, I understand the motion, but  
3 I don't understand if this is necessary. Steven Stogel?

4 CO-CHAIRMAN STOGEL: I don't think it's necessary Tom.  
5 I think it's clear enough.

6 CO-CHAIRMAN GROSS: All right, Sallie you want to note  
7 that.

8 MS. HEMENWAY: Yes, I will.

9 CO-CHAIRMAN GROSS: So we commission did not take up  
10 recommendation number three. Number four.

11 MR. REEVES: Okay. This is the changes that we  
12 recommend to the individual tax credits on residential  
13 non-income producing properties at \$100,000 and that the project  
14 further be limited to original purchase price of \$250,000  
15 instead of the 2010 recommendation of \$150.

16 CO-CHAIRMAN GROSS: Second for discussion. I'll  
17 second that. Steven?

18 CO-CHAIRMAN STOGEL: The 2010 report said on  
19 individual single family owner occupied homes, if the price of  
20 the home is over \$150 no credit and the amount of credit you can  
21 get was \$50,000. So what you're saying here is you want the  
22 purchase price of the home to go from \$150 to \$250 and the  
23 amount of allowable credits to go from \$50,000 to \$100,000.

24 MR. REEVES: That's correct.

25 CO-CHAIRMAN GROSS: Discussion on the motion?

0116  
1 MR. VAN MATRE: Van Matre. I don't know how we can  
2 increase the value of homes for historic credits, when we're  
3 recommending that we cut the low income housing renter credit.  
4 I mean, that just seems so inconsistent with need versus -- I  
5 don't know what. But I certainly am opposed to increasing this  
6 limit.

7 UNKNOWN: I concur with you both, because the  
8 2010 numbers were in my judgment even too high, I don't want to  
9 go higher, about I totally agree with your philosophical  
10 correctness.

11 MR. WOOD: So if we vote no on this, we're going with  
12 2010 recommendation, is that my understanding?

13 CO-CHAIRMAN GROSS: Yes, Mike. Further discussion?  
14 (No response)

15 CO-CHAIRMAN GROSS: All in favor of the motion say  
16 aye.

17 (No response)

18 CO-CHAIRMAN GROSS: All opposed say no.

19 (No)

20 CO-CHAIRMAN GROSS: Thank you. The motion is  
21 defeated. Number five.

22 MR. REEVES: Okay. The committee recommends, or I  
23 make a motion of the committee to adopt the committee's  
24 recommendation of the general assembly to prohibit the stacking  
25 of historic tax credits. This was already in the 2010 report,

0117  
1 is that right Sallie?

2 MS. HEMENWAY: Yes.

3 MR. REEVES: We took stacking out?

4 MS. HEMENWAY: Yes, in the 2010 report.

5 CO-CHAIRMAN GROSS: All right. So we need to reaffirm  
6 the 2010 report?

7 MR. REEVES: Yes, I think by default we do, don't we?



what we're recommending here are changes to the 2010 report, and with no changes, by default, those would stay in effect.

CO-CHAIRMAN GROSS: Am I correct that we do not need to take up number five then? Number six.

MR. REEVES: Number six basically adds back the allowability of stacking of historic credits with low income tax credits, wherein the 2010 report recommended against that, and then this also further limits the percentage of those tax credits to 15 percent instead of the normal 25 percent. If those are stacked, I would make a motion to approve those -- that change to the 2010 report.

CO-CHAIRMAN GROSS: Was that your motion?

MR. REEVES: Yes.

CO-CHAIRMAN GROSS: Do we have a second on the motion? Hearing none, the motion fails for lack of a second.

MR. GARDNER: Mark Gardner. I will second it.

CO-CHAIRMAN GROSS: I don't know if I'll allow -- I'll allow the second. Discussion on the motion.

MR. WOOD: Yeah, this is Mike Wood. I think we addressed this issue when we did the low income housing. I think we're going to be in conflict with each other. We're either got to stick with what we did in low income tax credits where we allow the stacking in counties with populations of 50,000 or less, or we do that. I don't know that we can recommend both. I think that sends a mixed message.

CO-CHAIRMAN GROSS: Thanks Mike. Steven?

CO-CHAIRMAN STOGEL: I concur Mike. I think what the commission did in 2010 was correct on stacking.

CO-CHAIRMAN GROSS: Further discussion on the motion?

(No response)

CO-CHAIRMAN GROSS: Hearing none. All in favor say aye.

(Aye)

CO-CHAIRMAN GROSS: All opposed say no.

(No)

CO-CHAIRMAN GROSS: The noes appear to have it.

The motion is defeated. Number 7.

MR. REEVES: The committee -- I recommend the approval of number 7 as a change in a clarification to the 2010 report, which basically says that paid expenditures are tax credit eligible, and developer fee is allowed, and it can be accrued and the developer fee is allowed to be accrued up to a six year period.

CO-CHAIRMAN GROSS: Is that your motion?

MR. REEVES: Yes.

CO-CHAIRMAN GROSS: Is there a second?

CO-CHAIRMAN STOGEL: I'll second it.

CO-CHAIRMAN GROSS: Steven seconds the motion. Discussion?

CO-CHAIRMAN STOGEL: The law requires a reasonable period of time, I think seven to ten years is that, so six years is on the inside of it, and that's the way the department functions now.

MR. REEVES: Yes.

CO-CHAIRMAN STOGEL: And it seems to be working in the business community, this is Steven, this is kind of reaffirming practice.

MR. REEVES: And it seems to be fine.

CO-CHAIRMAN GROSS: Further discussion? Hearing none. All in favor say aye.

(Aye)

19 CO-CHAIRMAN GROSS: All opposed say no.  
 20 (No response)  
 21 CO-CHAIRMAN GROSS: It's adopted. Number 8, next one  
 22 is 8.  
 23 MR. REEVES: Administrative efficiency and basically  
 24 what we are doing here is recommending the continuation that the  
 25 small project exemption under current state law continue for  
 0120 projects of \$275 or under and that those continue to be exempt  
 1 from the cap.  
 2 CO-CHAIRMAN GROSS: That's the motion, do we have a  
 3 second?  
 4 CO-CHAIRMAN STOGEL: I'll second it, with the  
 5 recommendation --  
 6 CO-CHAIRMAN GROSS: Steven seconds the motion.  
 7 CO-CHAIRMAN STOGEL: That there be a \$12 million cap  
 8 put on it, because caps are important.  
 9 MR. REEVES: I would accept that, I think. I will  
 10 accept that in my motion.  
 11 CO-CHAIRMAN STOGEL: Thank you.  
 12 CO-CHAIRMAN GROSS: That's the motion and a second.  
 13 Further discussion?  
 14 MR. WOOD: I would like to amend, Mr. Chairman this is  
 15 Mike wood. I would like to amend that motion.  
 16 CO-CHAIRMAN GROSS: Proceed.  
 17 MR. WOOD: To say that the small deal exemptions are  
 18 included in the \$90 million cap.  
 19 CO-CHAIRMAN GROSS: Making a note here. Mike has  
 20 made -- you're amending the motion, right Mike?  
 21 MR. WOOD: Correct.  
 22 CO-CHAIRMAN GROSS: To say that the small project  
 23 exemption be included in the \$90 million cap.  
 24 MR. WOOD: Correct.  
 25  
 0121 CO-CHAIRMAN GROSS: Do we have a second?  
 1 MS. RANDOL: Melissa Randol second.  
 2 CO-CHAIRMAN GROSS: Melissa Randol second. Somebody  
 3 else commenting? Any question on the amendment.  
 4 MR. GARDNER: This is Mark Gardner. I think it's kind  
 5 of confusing because you're using term exemption and saying it's  
 6 included, and there is no exemption is really the motion, right?  
 7 There is no exemption and that the total cap is \$90 million.  
 8 Isn't that the motion?  
 9 MR. REEVES: That would be correct Mark, yes.  
 10 CO-CHAIRMAN GROSS: I said that wrong, I accept that.  
 11 Thank you very much Mark. Further discussion on the motion?  
 12 (No response)  
 13 CO-CHAIRMAN GROSS: Hearing none, all in favor of the  
 14 amendment say aye.  
 15 (Aye)  
 16 CO-CHAIRMAN GROSS: Opposed say no. The ayes appear  
 17 to have it, unless there's a request for roll call. Steve wants  
 18 a roll call. The roll call is on the amendment by Mike wood.  
 19 Mike please restate the amendment again.  
 20 MR. WOOD: That there be no, really that there be no  
 21 small deal exemption that any of those smaller programs be  
 22 included in the \$90 million cap. That they not be outside that  
 23 cap.  
 24 CO-CHAIRMAN GROSS: All right. That's the motion  
 25  
 0122 Senator Justus? Do I hear Senator Justice? Her voice has  
 1 changed. Absent. Senator Wright-Jones.  
 2 (No response)  
 3

4 CO-CHAIRMAN GROSS: Absent. Steve Stogel?  
5 CO-CHAIRMAN STOGEL: No.  
6 CO-CHAIRMAN GROSS: Tim Flook?  
7 (No response)  
8 CO-CHAIRMAN GROSS: Absent. Sam Komo?  
9 MR. KOMO: No.  
10 CO-CHAIRMAN GROSS: Jim Anderson?  
11 (No response)  
12 CO-CHAIRMAN GROSS: Absent. Zack Boyers?  
13 (No response)  
14 CO-CHAIRMAN GROSS: Absent. Mark Gardner?  
15 MR. GARDNER: No.  
16 CO-CHAIRMAN GROSS: Luana Gifford?  
17 (No response)  
18 CO-CHAIRMAN GROSS: Absent. Bill Hall?  
19 MR. HALL: Yes.  
20 CO-CHAIRMAN GROSS: David Kendrick?  
21 (No response)  
22 CO-CHAIRMAN GROSS: David is absent. Pete Levi.  
23 (No response)  
24 CO-CHAIRMAN GROSS: Absent. Alan Marble?  
25 MR. MARBLE: Yes.  
0123  
1 CO-CHAIRMAN GROSS: Troy Nash.  
2 (No response)  
3 CO-CHAIRMAN GROSS: Absent. Melissa Randol?  
4 MS. RANDOL: Yes.  
5 CO-CHAIRMAN GROSS: Tom Reeves?  
6 MR. REEVES: No.  
7 CO-CHAIRMAN GROSS: Penney Rector?  
8 MS. RECTOR: Yes.  
9 CO-CHAIRMAN GROSS: Russ Still?  
10 (No response)  
11 CO-CHAIRMAN GROSS: Absent. Craig Van Matre?  
12 MR. VAN MATRE: Yes.  
13 CO-CHAIRMAN GROSS: Ray Wagner?  
14 MR. WAGNER: No.  
15 CO-CHAIRMAN GROSS: Shannon Weber?  
16 MR. WEBER: No.  
17 CO-CHAIRMAN GROSS: Mike Wood?  
18 MR. WOOD: Yes.  
19 CO-CHAIRMAN GROSS: David Zimmerman?  
20 MR. ZIMMERMAN: No.  
21 CO-CHAIRMAN GROSS: And I vote yes. Yeses are one,  
22 two, three, four, five, six, seven. So seven. The noes are  
23 one, two, three, four, five, six, seven. Jason do you concur?  
24 MR. ZAMKUS: Yes Senator, I concur.  
25 CO-CHAIRMAN GROSS: Motion fails on a tie of seven  
0124  
1 seven. 8-B.  
2 MR. WOOD: Mr. Chairman, that was my amendment only,  
3 we didn't vote on the underlying motion that he made to approve  
4 that.  
5 CO-CHAIRMAN GROSS: You're correct, got ahead of  
6 myself again. Thank you. So the amendment failed to the  
7 motion, so no we're back to the motion on 8-A, correct.  
8 MR. REEVES: Yes.  
9 CO-CHAIRMAN GROSS: With the cap of \$12 million. Does  
10 everybody agree with the motion? All right, all in favor of  
11 that motion say aye.  
12 (Aye)  
13 CO-CHAIRMAN GROSS: Opposed say no.  
14 (No)

15 CO-CHAIRMAN GROSS: The ayes appear to have it, unless  
16 someone wants roll call. I don't hear a request for a roll  
17 call.

18 MR. VAN MATRE: Roll call, yeah, roll call.

19 CO-CHAIRMAN GROSS: Roll call Craig?

20 MR. VAN MATRE: Yes, please.

21 CO-CHAIRMAN GROSS: We'll have a roll call on the  
22 motion. This is on 8-A with \$12 million cap on small projects.

23 And Senator Justus?

24 (No response)

25 CO-CHAIRMAN GROSS: Is absent. Senator Wright-Jones?

0125

1 (No response)

2 CO-CHAIRMAN GROSS: Absent. Steve Stogel?

3 CO-CHAIRMAN STOGEL: Yes.

4 CO-CHAIRMAN GROSS: Tim Flook?

5 (No response)

6 CO-CHAIRMAN GROSS: Absent. Sam Komo?

7 MR. KOMO: No.

8 CO-CHAIRMAN GROSS: Jim Anderson?

9 (No response)

10 CO-CHAIRMAN GROSS: Absent. Zack Boyers?

11 (No response)

12 CO-CHAIRMAN GROSS: Is absent. Mark Gardner?

13 MR. GARDNER: No.

14 CO-CHAIRMAN GROSS: Luana Gifford?

15 (No response)

16 CO-CHAIRMAN GROSS: Luana Gifford is absent. Bill

17 Hall?

18 MR. HALL: Yes.

19 CO-CHAIRMAN GROSS: David Kendrick?

20 (No response)

21 CO-CHAIRMAN GROSS: David is absent. Pete Levi?

22 (No response)

23 CO-CHAIRMAN GROSS: Pete's absent. Alan Marble?

24 MR. MARBLE: No.

25 CO-CHAIRMAN GROSS: Troy Nash.

0126

1 (No response)

2 CO-CHAIRMAN GROSS: Is absent. Melissa Randol?

3 MS. RANDOL: No.

4 CO-CHAIRMAN GROSS: Tom Reeves?

5 MR. REEVES: I'm sorry, can you repeat that motion?

6 CO-CHAIRMAN GROSS: It's on 8-A adding in \$12 million.

7 You said no Tom?

8 MR. REEVES: I asked for clarification on what the  
9 motion is.

10 CO-CHAIRMAN GROSS: Yeah the motion is that small  
11 projects do not receive more than \$275,000 in historic tax  
12 credits with a cap of \$12 million.

13 MR. REEVES: Yes.

14 CO-CHAIRMAN GROSS: Penney Rector?

15 (No response)

16 CO-CHAIRMAN GROSS: Absent. Russ Still?

17 (No response)

18 CO-CHAIRMAN GROSS: Absent. Craig Van Matre?

19 MR. VAN MATRE: No.

20 CO-CHAIRMAN GROSS: Ray Wagner?

21 MR. WAGNER: No.

22 CO-CHAIRMAN GROSS: Shannon Weber?

23 MR. WEBER: Yes.

24 CO-CHAIRMAN GROSS: Mike Wood?

25 MR. WOOD: No.

0127

1 CO-CHAIRMAN GROSS: David Zimmerman?  
 2 MR. ZIMMERMAN: Yes.  
 3 CO-CHAIRMAN GROSS: And I vote no. The yeses were  
 4 one, two, three, four, five, six, and the noes are one, two,  
 5 three, four, five, six, seven, eight.  
 6 MR. ZAMKUS: That is correct, Senator.  
 7 CO-CHAIRMAN GROSS: Thank you. The motion fails six  
 8 to eight.

9 CO-CHAIRMAN STOGEL: Where does that leave us? That  
 10 leaves with a small project cap exemption in the law.

11 CO-CHAIRMAN GROSS: Steven.  
 12 CO-CHAIRMAN GROSS: That leaves a small project cap  
 13 exemption in the law with no cap. A small project allowance  
 14 that's outside the cap that's in the law, and we just voted not  
 15 to cap the program, not to cap it. It's current law. So you  
 16 have a uncapped small project exemption. Have we voted for the  
 17 \$12 million cap, it would have had a cap on it.

18 MR. HALL: So, was that not addressed in the 2010  
 19 report?

20 CO-CHAIRMAN STOGEL: No, but 2010 report it's fuzzy,  
 21 Bill, because there's nothing in the recommendations, but it's  
 22 in the text that the cap end or discussion was on page 31 and  
 23 32, whatever Jason cited was the -- didn't include the small  
 24 project, and we just didn't discuss it very much. When we got  
 25 to the legislature they discussed it a lot. Two thirds of the

0128

1 project actually fit into this small cap. What I was trying to  
 2 do is put a cap on the program so it's \$12 million a year  
 3 historically for the last three years or so, I just thought a  
 4 cap would be a good thing.

5 UNKNOWN: Would it make a difference if we had a cap  
 6 at \$7.5 million?

7 MR. ZAMKUS: If I may, this is Jason Zamkus. The  
 8 recommendations from the 2010 commission were very clear that it  
 9 would be a \$75 million cap, and there's a certain policy that  
 10 says the recommended cap should cover all activity under the  
 11 program and should be permanent. I think that's an indication  
 12 that there was not to be a small project exemption.

13 CO-CHAIRMAN STOGEL: That's a bad interpretation.

14 MR. ZAMKUS: I'm sorry Steven.

15 CO-CHAIRMAN STOGEL: That -- if that's the  
 16 interpretation, take us through what we just did, what we just  
 17 voted. We voted for \$90 million.

18 MR. ZAMKUS: I would assume that you modified your  
 19 original recommendation from \$75 to \$90, but you failed to allow  
 20 the small project modification to allow small projects to have  
 21 an exemption.

22 CO-CHAIRMAN STOGEL: With the \$12 million cap.

23 MR. VAN MATRE: No, this is Van Matre. He's saying  
 24 that the old report as it stands limits the total credit to \$90  
 25 million including small projects.

0129

1 UNKNOWN: Yeah, by default, the 2010, report stands.  
 2 These are just recommendations to modify the report. And that  
 3 failed.

4 CO-CHAIRMAN STOGEL: That's right. I have the small  
 5 project exemption, I don't know if it's appropriate to have a  
 6 vote, should we have a small project exemption, but I defer to  
 7 Senator Gross, sir.

8 CO-CHAIRMAN GROSS: Jason, let me ask you this, if I  
 9 understand what you said. So where we're at right now is since  
 10 we agreed to accept the 2010 report, accept as modified as what

11 we're doing right now, we have in place, in the old report we  
12 recommended a \$75 million cap and that cap was for all projects  
13 large and small, correct?

14 MR. ZAMKUS: That is my us understanding of the text  
15 of the report.

16 CO-CHAIRMAN GROSS: And so your opinion then, this  
17 report, the 2012 report will say in affect our recommendation is  
18 a \$90 million cap that includes all projects?

19 MR. ZAMKUS: Yes.

20 CO-CHAIRMAN GROSS: Okay. That's the way I understood  
21 it. I had to go back and look at all the motions, but I think  
22 that's the way I understand where we're at.

23 We voted it, it is what it is, unless somebody make a  
24 motion to try to modify that understanding right now.

25 Let's go on to 8-B.

0130

1 MR. REEVES: Sallie, in the interest of kind of moving  
2 things, B and C, I mean, do we think we need to?

3 MS. HEMENWAY: In the language of 2010 report, you  
4 had -- the commission recognized that there would be  
5 administrative --

6 MR. REEVES: Efficiencies.

7 MS. HEMENWAY: Efficiencies discussed with the  
8 Department of Economic Development.

9 MR. REEVES: Right.

10 MS. HEMENWAY: This falls under --

11 MR. REEVES: Procedural clarifications and recommended  
12 efficiencies.

13 MS. HEMENWAY: Right. So if you want to stick with  
14 the language in the efficiency of time, you want to stick with  
15 the language of the 2010 report, it would just have a simple  
16 statement about continuing the efforts toward administrative  
17 efficiencies.

18 MR. VAN MATRE: So moved, Van Matre.

19 UNKNOWN: You know, I think, again, out of respect for  
20 the committee and subcommittee, a lot of work went into this,  
21 and I think I make a motion to approve B and C as stated, as  
22 administrative efficiency that was put forth by the  
23 subcommittee.

24 CO-CHAIRMAN GROSS: So the motion is to accept B and C  
25 of number 8. Do we have a second on that motion?

0131

1 CO-CHAIRMAN STOGEL: I'll second the motion.

2 CO-CHAIRMAN GROSS: Steven seconds the motion.

3 Discussion?

4 (No response)

5 CO-CHAIRMAN GROSS: Hearing none. All in favor of the  
6 motion say aye.

7 (Aye)

8 CO-CHAIRMAN GROSS: Opposed say no.

9 (No response)

10 CO-CHAIRMAN GROSS: The ayes have it. It's adopted,  
11 number 9.

12 MR. REEVES: Okay. I would ask for some help on all  
13 of these too. Do we see anything here that might be super  
14 controversial that we should take individually, but I would make  
15 a motion to approve all nine.

16 CO-CHAIRMAN GROSS: Okay.

17 MR. REEVES: A through E.

18 CO-CHAIRMAN GROSS: The motion is to adopt  
19 recommendation number nine. Is there a second for discussion?

20 MR. ZIMMERMAN: Second.

21 CO-CHAIRMAN GROSS: Name please.

22 MR. ZIMMERMAN: Dave Zimmerman.  
 23 CO-CHAIRMAN GROSS: Okay, we're in order. Discussion  
 24 on the motion, go ahead.  
 25 MR. REEVES: Sallie, would you like to comments on  
 0132  
 1 three please?  
 2 CO-CHAIRMAN GROSS: Sallie, number three.  
 3 MS. HEMENWAY: On C?  
 4 MR. REEVES: C.  
 5 MS. HEMENWAY: The eligible applicants right now there  
 6 is a prohibition to allowing qualified rehabilitation expenses  
 7 prior to the application except for self cost, hard costs are  
 8 not allowed. This statutory change recommendation is to allow  
 9 an entity at their own risk to incur qualifying expenses prior  
 10 to the submission of their application.  
 11 CO-CHAIRMAN STOGEL: Is the current rule one --  
 12 MR. REEVES: Those expenses are incurred at the  
 13 developer's risk assuming that this thing would get approved,  
 14 but if it doesn't get approved, those expenses are completely at  
 15 risk, correct?  
 16 CO-CHAIRMAN STOGEL: That's kind of a misnomer, isn't  
 17 it? I mean, they're at risk anyway, if you have a project.  
 18 MR. REEVES: That's true.  
 19 MS. HEMENWAY: Right now the purpose behind it is that  
 20 because there's a cap, we enacted a process that -- where you  
 21 have to submit an application, and if we -- and so you're  
 22 actually getting in line for cap.  
 23 Now in the last several years, there's been no bumping  
 24 up against that cap, but if you were to allow qualified  
 25 rehabilitation expenses to incur prior to the submission of  
 0133  
 1 application, every developer would do that, because they, you  
 2 know, they would.  
 3 MR. VAN MATRE: This is Van Matre. That's exactly the  
 4 way I see it too. All it's going to do increase the amount of  
 5 qualified expenditures, and it's going to make it impossible for  
 6 the DED to plan.  
 7 MS. HEMENWAY: The idea was trying to be able to  
 8 quantify the amount against the cap at the time of the  
 9 application in that linear fashion, which was what you have to  
 10 do when you have a program with a cap. There's no way for us to  
 11 quantify and make sure that we're not exceeding a cap, when  
 12 people are incurring qualified expenses, rehabilitation expenses  
 13 prior to the submission of their application. That's why we  
 14 have that in place. The issue is the development community  
 15 because we're not hitting the cap doesn't see a problem right  
 16 now. They don't recognize the problem.  
 17 MR. VAN MATRE: Yeah, C is inconsistent with our idea  
 18 to put on caps, I'm opposed to it.  
 19 CO-CHAIRMAN GROSS: The motion before us is to adopt  
 20 all, A, B and C. So if we go that way and you're opposed to C,  
 21 you would be opposing everything.  
 22 So we're going to take them -- I'm going to make a  
 23 motion to divide this again by letter, under number 9 so each  
 24 letter be taken up individually. Do I have a second on that.  
 25 CO-CHAIRMAN STOGEL: Second.  
 0134  
 1 CO-CHAIRMAN GROSS: Second Steven. All in favor say  
 2 aye.  
 3 (Aye)  
 4 CO-CHAIRMAN GROSS: Opposed no.  
 5 (No response)  
 6 CO-CHAIRMAN GROSS: So we're divided now. Let's go

7 with 9-A.

8 MR. GARDNER: This is Mark Gardner. Can I ask a  
9 question? If the joint consensus on everything except one --

10 MR. REEVES: I was going to say, I will modify my  
11 motion for everything except C.

12 MR. GARDNER: Okay. That's what I was going to  
13 recommend, yeah.

14 MR. REEVES: All right. We have divided the question.  
15 we'll go ahead and entertain a motion to adopt A, B and -- is  
16 there anything else.

17 MR. REEVES: D.

18 CO-CHAIRMAN GROSS: A, B and D as in dog, this is  
19 Chuck.

20 MR. REEVES: E.

21 MR. GARDNER: Let's break out E, that's got  
22 consequences I'd like to hear about.

23 CO-CHAIRMAN GROSS: So far we're at A, B and D. My  
24 computer is too slow. How many more of those?

25 MR. GARDNER: That's it.

0135  
1 CO-CHAIRMAN GROSS: So I'll make a motion that we  
2 adopt recommendations 9-A B as in boy and D as in Dog. Do we  
3 have a second?

4 CO-CHAIRMAN STOGEL: Second.

5 CO-CHAIRMAN GROSS: Second from Steven. Discussion?  
6 (No response)

7 CO-CHAIRMAN GROSS: Hearing none. All in favor say  
8 aye.

9 (Aye)

10 CO-CHAIRMAN GROSS: Opposed say no.

11 (No response)

12 CO-CHAIRMAN GROSS: Ayes have it. A, B and D have  
13 been adopted, now go to letter C. We just had a discussion about  
14 letter C. Further discussion on C?

15 UNKNOWN: Yeah, is there any abuse that you're fearful  
16 off or is this just crowding the cap issue?

17 MS. HEMENWAY: It's a practical (inaudible) to  
18 administer the program, and we have to -- if we're under a  
19 statutory cap that gets bumped up again every year, we don't --  
20 I don't have any other means to make sure that we're in a first  
21 come first serve process, when people are essentially just  
22 starting their projects and then coming in.

23 I mean, they're doing it at their own risk, I  
24 understand this the way it's written, but I'm telling you the  
25 reason why we administer the program currently the way we do.

0136  
1 when the cap was put in at \$140 million, we had to change the  
2 process to address how you administer a program with a cap. It  
3 didn't matter previous to that when there was no cap.

4 CO-CHAIRMAN GROSS: Steven.

5 CO-CHAIRMAN STOGEL: We have to change the process  
6 again back to the old ways if this became law.

7 MS. HEMENWAY: We still would be under a cap, so we  
8 would still have accounted, but everybody would be on notice  
9 that if someone came in, at any point in time, that had already  
10 started their project, that they may be allocated, you know,  
11 significantly more than, you know, what everybody else in  
12 line -- you see what I mean? It's difficult to articulate, it's  
13 like moving in front of the line.

14 UNKNOWN: Well, if everybody starts spending money in  
15 advance, and then they come in and then they come in and say I  
16 got a million dollars or whatever, it makes it really difficult  
17 to figure out where you are in the cap, once you approve the



18 program.  
 19 MR. REEVES: Well, it puts DED in a very awkward  
 20 position too.  
 21 CO-CHAIRMAN GROSS: Thank you, Tom.  
 22 MR. ZAMKUS: Senator Gross, this is Jason Zamkus. For  
 23 procedural purposes, you're still lacking a motion to bring C up  
 24 and a second.  
 25 CO-CHAIRMAN GROSS: Yeah, I realize that. Let's go  
 0137  
 1 ahead and get that in order.  
 2 I'll make a motion that we adopt C. Do we have a  
 3 second.  
 4 MR. REEVES: Second.  
 5 CO-CHAIRMAN GROSS: Second from whom?  
 6 MR. REEVES: Tom Reeves.  
 7 CO-CHAIRMAN GROSS: Thank you Tom. Now we're in  
 8 order. Further discussion on the motion to adopt C? Steven?  
 9 CO-CHAIRMAN STOGEL: Sallie, this just seems to be a  
 10 matter of predevelopment cost before you get your project  
 11 approved it seems. What might it be, \$25,000, \$50,000, \$100,  
 12 000? I mean, what are developers spending these days?  
 13 MS. HEMENWAY: On soft costs or on hard costs?  
 14 CO-CHAIRMAN STOGEL: On soft costs before you do  
 15 projects which starts the state's credit clock.  
 16 MS. HEMENWAY: It's the language in addition to any  
 17 hard costs incurred within one year prior to the submittal of  
 18 the application. I couldn't -- I can't tell you what those  
 19 dollars would mean in terms of how much a developer would -- it  
 20 would be the size of the building that would be the amount of  
 21 money they could have potentially spent in the year previous.  
 22 CO-CHAIRMAN STOGEL: Guys aren't going to spend a  
 23 whole bunch of money in that one year before it's approved.  
 24 They just won't. This may be a lot of effort over not much, so.  
 25 MR. REEVES: Well yeah, and if we're having this much  
 0138  
 1 difficulty would it make sense to move it to an administrative  
 2 recommendation as opposed to a statutory change recommendation.  
 3 CO-CHAIRMAN GROSS: I'm going to withdraw my motion,  
 4 go ahead and make that new motion. This is Chuck.  
 5 MR. REEVES: That way we at least preserve it, have a  
 6 record. I think DED would like some clarification because it  
 7 really -- it clarifies their process, again, because it puts  
 8 awkwardness in the administration. I just hate to lose the  
 9 whole thing. I mean, we could always put it back in for statute  
 10 recommendation and some legislation if it goes in with the cap.  
 11 CO-CHAIRMAN GROSS: Thank you Tom. Do we have a  
 12 second to that motion?  
 13 CO-CHAIRMAN STOGEL: To withdraw?  
 14 CO-CHAIRMAN GROSS: Well, I already withdraw the  
 15 motion. Tom is making a new motion to make an administrative.  
 16 CO-CHAIRMAN STOGEL: Second.  
 17 CO-CHAIRMAN GROSS: Steven seconds the motion.  
 18 Discussion?  
 19 (No response)  
 20 CO-CHAIRMAN GROSS: All in favor say aye.  
 21 (Aye)  
 22 CO-CHAIRMAN GROSS: Opposed no.  
 23 (No response)  
 24 CO-CHAIRMAN GROSS: They ayes have it. The motion is  
 25 adopted. Now we are to letter E.  
 0139  
 1 MR. VAN MATRE: This is Van Matre. I'm not in favor  
 2 of E just because of the fact that these other credits don't

3 have an appeals process, and I don't know what that means. You  
4 get turned down by DED and then you got the right to go to court  
5 and force them to give you the credits, how do you budget for  
6 that.

7 CO-CHAIRMAN GROSS: Tom?

8 MR. REEVES: What I'm groping for here is that there  
9 is a real clear example Sallie that we can kind of point to that  
10 would illustrate the need.

11 MS. HEMENWAY: It's my understanding this  
12 recommendation arose from the disagreement that developers have  
13 on what we will consider a qualified rehabilitation expense, and  
14 if we're denying expenses and providing the reason for that  
15 denial, they would like the ability to appeal that denial.

16 MR. REEVES: These are on the individuals that make up  
17 the entire budget by which the tax credit percentage is applied.  
18 Is how it's calculated.

19 CO-CHAIRMAN GROSS: Tom would you make a motion on E?

20 MR. REEVES: I'll make a motion to approve E as a  
21 recommendation.

22 CO-CHAIRMAN GROSS: Second? I'll second that, this is  
23 Chuck. Discussion? Steven? No discussion from Steven.  
24 Anybody else?

25 CO-CHAIRMAN STOGEL: Is this as to a qualification of  
0140 a project, or qualification as to a particular expense.

1 MR. REEVES: To particular expenses.

2 CO-CHAIRMAN STOGEL: Okay.

3 MR. REEVES: Particular expenses within a line item  
4 budget by which DED has disallowed.

5 UNKNOWN: That's not what he said. It says have been  
6 officially denied. So if I put in an application, and I'm  
7 denied, I can appeal based on the language of this.

8 CO-CHAIRMAN STOGEL: If we're talking about the denial  
9 of a project, that's one thing. But if the intent of there  
10 language is denial of a particular line item as to whether it's  
11 a qualified rehabilitation expense. Developers can start  
12 appealing one (inaudible) seventeen and it costs certification  
13 because they don't like the termination or calculation. That's  
14 the a different thing.

15 MR. REEVES: But it's hugely burdensome.

16 CO-CHAIRMAN STOGEL: It's an administrative nightmare.  
17 On every one they didn't like, there would be appeals. There's  
18 no process. No standard of materiality.

19 CO-CHAIRMAN GROSS: This is Chuck. It appears to me  
20 this is for the project because it says there should be an  
21 appeals process should be established for applicants whose  
22 submissions have been officially denied. So that's a project.

23 UNKNOWN: Of course it says at any stage, so I don't  
24 know what that means. I just think this is a problem that would

0141 just create nightmares if it was adopted.

1 CO-CHAIRMAN GROSS: Let's try to wrap it up, Steven?

2 CO-CHAIRMAN STOGEL: If it's a project, that's one  
3 thing. If it's a qualified expense, that's another, but I  
4 haven't heard of projects being turned down, and Tom thinks it  
5 relates to qualified expenses. So if the motion relates to  
6 challenging qualified rehab expenses, that's a technical thing,  
7 but the vagaries of this goes to the heart of Craig's  
8 observations, I think.

9 CO-CHAIRMAN GROSS: Further discussion?

10 MR. REEVES: Yeah, Sallie, at any stage I think is  
11 the -- where everybody's got heartburn; am I correct?

12 MS. HEMENWAY: It's my -- I didn't write the language

14 Tom, so -- but it's my understanding from the discussion that it  
15 was related to not denials of projects, because these are very  
16 rare in terms of if you're not --

17 MR. REEVES: I agree. At any stage.

18 MS. HEMENWAY: All of the discussions center around  
19 the qualify rehabilitation expenses. So that's the only  
20 statement I can make -- I cannot -- I can't help you with the  
21 language or the intent.

22 CO-CHAIRMAN GROSS: Further discussion?

23 (No response)

24 CO-CHAIRMAN GROSS: If not. Let's go to a vote. All  
25 in favor say aye.

0142

1 (Aye)

2 CO-CHAIRMAN GROSS: All opposed say no.

3 (No)

4 CO-CHAIRMAN GROSS: The noes appear to have it. The  
5 noes have it. E is defeated. And does that conclude your  
6 report Tom?

7 MR. REEVES: Yes, it does.

8 CO-CHAIRMAN GROSS: Thank you very much for your work.

9 MR. REEVES: I would like to say also there's some  
10 additional reports and information that the committee will  
11 submit for further information to the full commission, as  
12 addendums or additional packages. I think Sallie has those.

13 CO-CHAIRMAN GROSS: Okay. Sorry, I'm pulling  
14 something up here. We'll go next to the global issues  
15 committee.

16 Global issues committee did meet on November 16. We  
17 did have a quorum, but we did not take a final vote because we  
18 had a couple issues that were outstanding. I'm going to recap  
19 what we did agree to.

20 We took up the issue of return on investment and cost  
21 reasonableness. First of all, I'm going to start this by making  
22 a motion. The motion is to adopt and reaffirm the 2010 report,  
23 with the following modifications. Sallie, on return on  
24 investment and cost reasonableness, would you go back and get  
25 some language on a couple of them? Can you recap that one.

0143

1 MS. HEMENWAY: Yes, our initial global issues report  
2 really spoke to returns on investments in terms of a cost  
3 benefit analysis, and the initial report focused a lot on the  
4 tool, the REMI tool that the Department of Economic Development  
5 uses. The committee heard testimony from University of Missouri  
6 School of Public Policy and the research unit in the Department  
7 of Economic Development and suggest language to state the  
8 committee recognizes the availability of additional tools by  
9 which to measure tax credits in addition to a cost benefit  
10 measure. The committee suggests that the general assembly  
11 evaluate cost effectiveness measures that may depict the  
12 performance and efficiency of a tax credit program, in addition  
13 to the fiscal costs and return to the state.

14 The committee also recognizes that different measures  
15 may be more applicable to different kinds of credits and the  
16 value of specifically tailored effectiveness measures may  
17 provide more usefulness to the policy makers than any one common  
18 measure.

19 The recommendation of the committee was to just amend  
20 the 2010 report by adding that language.

21 CO-CHAIRMAN GROSS: Okay. That is the first  
22 recommendation. I'll take that in a form of a motion.

23 CO-CHAIRMAN STOGEL: Second.

24 CO-CHAIRMAN GROSS: Steven seconds that motion.

25 Further discussion on that?

0144

1 (No response)

2 CO-CHAIRMAN GROSS: Hearing none. All in favor say  
3 aye.

4 (Aye)

5 CO-CHAIRMAN GROSS: Anybody else on the line? All  
6 opposed say no.

7 (No response)

8 CO-CHAIRMAN GROSS: The ayes appear to have it. The  
9 ayes do have it.

10 The next item we took up was sunsets, and you'll  
11 recall in the 2010 report we had a sunset schedule for the  
12 various credits, the committee and as part of my motion  
13 recommended that we not have a sunset chart or schedule, but  
14 instead, we have language that I will read, tell me if I'm wrong  
15 here Sallie, that no tax credit should be subject to the annual  
16 appropriations process, the general assembly should periodically  
17 review all tax credit programs using standardized evaluation  
18 criteria to take into account the return on investments in the  
19 state, the overall economic impact and cost effectiveness of the  
20 program. Did I state that language correctly, Sallie.

21 MS. HEMENWAY: And I would continue on, under one  
22 paragraph you just stated what is titled periodic review. I  
23 would continue on to the paragraph titled transitional, because  
24 it also is the substitute language for sunsets as well.

25 CO-CHAIRMAN GROSS: Forgot about that, I'll read that  
0145

1 language as well. If we, as part of that recommendation, we  
2 said that before eliminating any tax credits, the general  
3 assembly should provide a fair and adequate time, period of time  
4 prior to the elimination taken effect according to a normally  
5 transitioned process.

6 Any tax credits proposed for elimination or reduction  
7 should be based on authorizations only and all previously  
8 authorized tax credits should be honored by the state. Did I  
9 read that correctly?

10 MS. HEMENWAY: Yes, you did.

11 CO-CHAIRMAN GROSS: Do I have a second on that motion?  
12 No, wait a minute. We didn't vote on it. We're voting on these  
13 as a whole, unless somebody wants to break them out.

14 The next item that we amended in the 2010 report  
15 includes relate party transactions and that's another one  
16 Sallie, that you developed language for please.

17 MS. HEMENWAY: Yes. The committee discusses the issue  
18 of related party transactions, the process used under a couple  
19 of different programs including those under MHDC, and it was  
20 recommended by the committee the general assembly provide  
21 agencies more authority to define related party transactions and  
22 provide applicable limitations to benefits provided to related  
23 parties.

24 CO-CHAIRMAN GROSS: Any questions on that?  
25 And the last one had to do with bidding and

0146

1 procurement. On that item, we are amending the 2010 report by  
2 adding language that recommended that the general assembly  
3 provide agencies more authority to require government  
4 procurement and bidding practices of recipients of tax credits  
5 with the intent to ensure more competitive costs. Sallie, got  
6 any more thoughts on that?

7 CO-CHAIRMAN GROSS: The discussions of the committee  
8 prior to making the recommendation centered around some recent  
9 reports of the Brownfield program and others about making sure

10 that when an issuance of tax credit occurs, that it occurs at a  
11 cost that is efficient and effective and it is within the market  
12 rate.

13 CO-CHAIRMAN GROSS: Okay, questions on that? What  
14 else did we do? That's all I can recall. That's all I have in  
15 my notes, Sallie?

16 MS. HEMENWAY: That's it for the global issues  
17 committee.

18 CO-CHAIRMAN GROSS: Steven?

19 CO-CHAIRMAN STOGEL: I thought we talked about one  
20 more change to the stacking rules, which was Brownfield's  
21 historic and low income that you can't take one dollar of state  
22 money, count it as 100 cents for Brownfield and then recount it  
23 for historic and then count it again for low income.

24 So what we wanted to recommend was that when there is  
25 that combination of credits, that the dollar counts for

0147 1 Brownfield, that the legislation be modified to subtract that  
2 double counting from historic and then subtract it again from  
3 low income, so it's the most efficient application. So one  
4 dollar of expenditure on a project doesn't equate to sometimes  
5 two dollars of state money, it just tracks one time.

6 CO-CHAIRMAN GROSS: I remember that discussion,  
7 Sallie. What happened with that?

8 MS. HEMENWAY: The discussion occurred, but it never  
9 came to a formal vote.

10 CO-CHAIRMAN STOGEL: Okay, well I think it's an  
11 important consistency on stacking. Motion that the legislature  
12 be requested to span the stacking rule so that a dollar counts  
13 for Brownfield and the amount of Brownfield credit get reduced  
14 from the state historic --

15 (Whereupon, there was phone interference)

16 CO-CHAIRMAN GROSS: There seems to be some  
17 interference. Motion was to order stacking to prevent  
18 duplication to allow Brownfield first dollar for dollar to take  
19 the amount of the Brownfield credit, subtract it from the  
20 historic --

21 MR. GARDNER: Are we just taking the basis of  
22 reduction of basis or reduction in credits?

23 CO-CHAIRMAN GROSS: Reduction in credits, Mark. And  
24 then further, when there's low income, state low income and  
25 state historic, to mirror the federal rule that the state low

0148 1 income is reduced by the amount of the state historic credit.

2 So it would be a waterfall. And in certain cases  
3 where there isn't state low income with state historic, there  
4 would still be no duplication between the Brownfield and the --

5 MR. GARDNER: Is this limited to the Brownfield and  
6 stacking.

7 CO-CHAIRMAN GROSS: Yes.

8 MR. GARDNER: Okay. And here's my question. I mean,  
9 are you saying that when people are doing remediation and  
10 getting the Brownfield credit and spending let's say \$500,000 on  
11 the site, that that -- they that can claim for the purposes of  
12 claiming low income credits on that same amount?

13 CO-CHAIRMAN GROSS: Yes, and historic, three ways  
14 Mark, that was brought to our attention.

15 MR. GARDNER: Okay, I had either forgotten that or  
16 didn't realize it, okay. So your motion is to -- okay, I  
17 understand the motion now.

18 CO-CHAIRMAN GROSS: So we have a motion, do we have a  
19 second? I'll second the motion. Further discussion?

20 (No response)

21 CO-CHAIRMAN GROSS: All in favor say aye.  
 22 (Aye)  
 23 CO-CHAIRMAN GROSS: Opposed no.  
 24 (No)  
 25 CO-CHAIRMAN GROSS: I hear two ayes and one no. Do we  
 0149 have a request for roll call, otherwise the ayes have it.  
 1 (No response)  
 2 CO-CHAIRMAN GROSS: Okay, no call for roll call, the  
 3 ayes have it, and the motion passes.  
 4 I think that is the end of the report of the global  
 5 issues committee.  
 6 CO-CHAIRMAN STOGEL: Right. I'm getting a little --  
 7 did we, on the low income, we did the rolling recapture for  
 8 authorizations that come back, did we do that for historic?  
 9 MS. HEMENWAY: No.  
 10 CO-CHAIRMAN STOGEL: To the extent somebody gets an  
 11 authorization in historic or Brownfield and doesn't use it,  
 12 because the Brownfield program was capped at \$25 million because  
 13 we adopted 2010, there should be a consistency that if somebody  
 14 gets an authorization and doesn't use it, it can be recovered  
 15 later. Some of the caps are, particularly historic, are now \$90  
 16 million all in. So there should be a rolling recapture amount,  
 17 because some developers get an allocation and just fail.  
 18 So it would be for budgeting purposes, a flattening  
 19 over many years, but the rolling recapture fairness issue would  
 20 apply from low income to both historic and Brownfield, and that  
 21 would be my last consistency of the night.  
 22 MR. GARDNER: This is Mark Gardner. Steven, I agree  
 23 with you on that.  
 24 CO-CHAIRMAN STOGEL: Can I so move we do a rolling  
 0150 recapture same as low income for both Brownfield and historic,  
 1 subject to the caps which would be \$115 and \$20 for low income,  
 2 \$90 for historic as voted and \$25 for the Brownfield.  
 3 MR. ZAMKUS: Steven, if I could interject, this is  
 4 Steven Zamkus with DED. Although in the 2010 recommendation the  
 5 commission did not make a recommendation such as that with  
 6 regard to the historic preservation tax credit program.  
 7 When house bill 191 was written into law, there is  
 8 that provision in the law and the legislature in every attempt  
 9 to incorporate the tax credit review commission recommendations  
 10 from 2010 to present has allowed for that carryover of  
 11 authorized and unused credits.  
 12 CO-CHAIRMAN STOGEL: So we're good, but we looked if  
 13 we apply to Brownfields and low income can't hurt to confirm it,  
 14 but my even I'm a little -- it's been a long haul this  
 15 afternoon. It's consistent with what the motion was, I'll just  
 16 leave the motion alone, because it sort of spot on, because it  
 17 takes low income and Brownfield to where historic is.  
 18 CO-CHAIRMAN GROSS: Steven just made a motion, do we  
 19 have a second? Mark?  
 20 MR. GARDNER: Yep, I'll second it.  
 21 CO-CHAIRMAN GROSS: Further discussion?  
 22 (No response)  
 23 CO-CHAIRMAN GROSS: Hearing none, all in favor say  
 24 aye.  
 0151 (Aye)  
 1 CO-CHAIRMAN GROSS: Opposed no.  
 2 (No)  
 3 CO-CHAIRMAN GROSS: The ayes appear to have it. The  
 4 ayes have it, and the motion is adopted.  
 5

6 Okay, where we at Sallie? I think we're done with all  
7 the committees. You will be preparing a draft report for the  
8 commission members, you'll have that out what by 6:00 tonight,  
9 and everybody can comment on that, right?

10 CO-CHAIRMAN STOGEL: Seriously, Chris and I spoke  
11 earlier in the week and we'll take a shot at get working on a  
12 draft, and then Senator Gross and I will look at it and we'll  
13 send it to people maybe Tuesday so that if people have  
14 objections Wednesday or Thursday, we can pick up those edits and  
15 file it with the governor a week from Monday.

16 CO-CHAIRMAN GROSS: That's the plan.

17 CO-CHAIRMAN STOGEL: So we'll try to get something in  
18 your inbox by Tuesday night.

19 CO-CHAIRMAN GROSS: Anything else for good of the  
20 commission? I appreciate all of your participation, and hanging  
21 in there with us this afternoon. Motion to adjourn.

22 CO-CHAIRMAN STOGEL: Motion to adjourn.

23 CO-CHAIRMAN GROSS: Second?

24 UNKNOWN: Second.

25 CO-CHAIRMAN GROSS: All in favor say aye.

0152

1 (Aye)

2 CO-CHAIRMAN GROSS: Opposed no.

3 (No response)

4 CO-CHAIRMAN GROSS: We are adjourned.

5 (Whereupon, the hearing concluded at 5:06 p.m.)

6 (Proceedings concluded).

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#### CERTIFICATE OF REPORTER

5 I, ANGIE R. KELLY, an Illinois Certified Shorthand  
6 Reporter (IL CSR# 084-004498) and Missouri Certified Court  
7 Reporter (MO CCR# 1010) do hereby certify that the witness  
8 whose testimony appears in the foregoing deposition  
9 transcript was duly sworn by me; that the testimony of said  
10 witness was taken by me to the best of my ability, and  
11 thereafter reduced to typewriting under my direction; that  
12 I am neither counsel for, related to, nor employed by any  
13 of the parties to the action in which this deposition was  
14 taken; and further, that I am not a relative or employee of  
15 any attorney or counsel employed by the parties hereto; nor  
16 financially or otherwise interested in the outcome of this

17 action.

18 IN WITNESS WHEREOF, I have hereunto set my hand and  
19 seal this 9th day of December, 2012.  
20  
21  
22

23 \_\_\_\_\_  
24 Notary Public  
25